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LOCAL TAXATION AND FINANCE

G. H. BLUNDEN

UNIVERSITY OF CALIFORNIA
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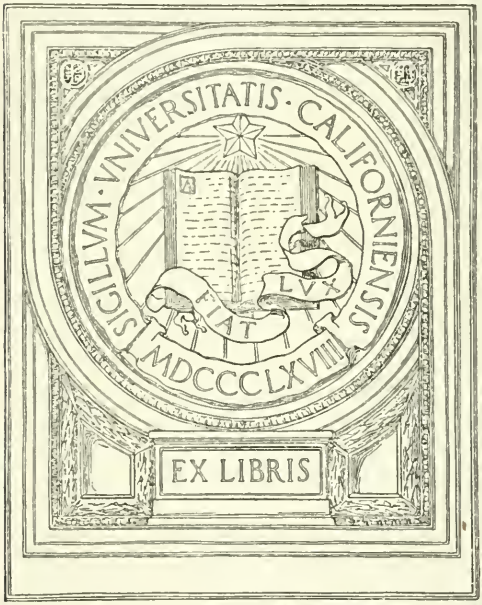

LOCAL TAXATION AND FINANCE

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BY

G. H. BLUNDEN

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PREFACE.

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THE recent wide extension of popular local governmental institutions in Great Britain induces me to hope that a new and comprehensive work on Local Taxation and Finance may be found especially useful at the present time. No such work has appeared since the publication of Mr. R. H. Inglis Palgrave's essay in 1871, notwithstanding that very considerable and important developments of local fiscal and financial organisation have received legislative sanction in the interval. The excellent work done by the Local Government Board during the last twenty years in gathering, compiling, and publishing the English statistics relating to this subject has, moreover, brought some degree of order out of chaos, and has rendered possible a much more exact exposition and discussion of the details of the system than was formerly attainable.

HARDING

I have given special attention to the fundamental and all-important question of the incidence of rates. Until this is better understood it is almost hopeless to expect remedial legislation of any real value, and the bitter cry of the long-suffering mass of urban ratepayers will receive no satisfactory response. I

regret that this portion of the work is unavoidably somewhat controversial in character, and that I am compelled to express a decided dissent from certain of the opinions of some living writers, for whose work I, nevertheless, entertain a sincere respect. I trust, however, that the following pages will throughout be found to display evidences of a conscientious desire and effort to ascertain and set out the true facts, and to arrive at sound conclusions.

I desire to acknowledge my indebtedness to Sir Hugh Owen, Mr. T. H. Elliott, Mr. Chas. Harrison, and many officials of local bodies, for the loan of official documents and other valuable help; and to return my hearty thanks for the courtesy and kindness of these gentlemen. I wish also to record my grateful appreciation of the assistance and counsel which I have received from Professor Edwin R. A. Seligman, of New York, editor of the *Political Science Quarterly;* and to state that a considerable portion of the earlier chapters of the present work, together with the sections relating to Scotland and Ireland, were first published in that organ in March and June, 1894. These portions have, however, undergone a thorough revision, and the latest available statistics have been incorporated.

G. H. B.

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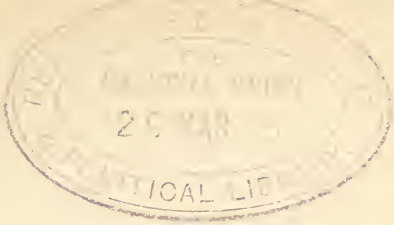

LOCAL TAXATION AND FINANCE.

PART I.

ENGLAND AND WALES.

CHAPTER I.

Historical Introduction.

THE history of English local taxation and finance yet remains to be written, Mr. Dowell's admirable *History of Taxation and Taxes* being almost wholly confined to the impositions of the central government for national and imperial purposes. Without attempting an exhaustive survey, a brief historical sketch may be found useful in this place.

Local taxation, like local government and many other English institutions, had its beginnings in Saxon times. The privileges of the burgesses of the numerous boroughs of the later Saxon and early Norman reigns were conditional upon the paying of scot and the bearing of lot. "Scot" appears to have been the local tax of the place, afterwards known as the town ley, and still later as the "constable's tax"; "lot" was the personal service of various kinds, civil and military, required of the free inhabitants.[1] The inhabitants of most of the boroughs were tenants of the royal demesne, and in the twelfth and thirteenth centuries, collectively in each borough, paid an annual fee-farm rent to the king, known as *firma burgi*, or *auxilium*

Local taxation in ancient boroughs.

[1] Some few "scot and lot" voters remain to this day. The tax levied by the Commissioners of Sewers is still called a "scot."

burgi. This burden was apportioned among the burgesses by self-assessment, and no doubt formed part of the local scot or tax. Another of the purposes to which the tax was applied was the payment of the fines for offences, imposed under the system of "pledges" by the local community for the good behaviour of the individuals composing it. It was doubtless also used for raising such funds as were required for the maintenance of highways, bridges, embankments, water-courses, town walls, and, later on, the "wages" of members of Parliament. Outside the boroughs, these expenses were defrayed by a threefold system of town rates, hundred rates, and county rates, applicable respectively to the townships, hundreds, and counties.[1] The town ley or rate, however, was imposed not only for township purposes, but also to furnish the township quotas of the hundred and county rates, and, not unfrequently, of the national taxation. For several centuries the mode of assessing the individuals within the township for contribution to the old town rate was regulated solely by custom, no statute for the purpose having been enacted until 1662. But there is good reason for believing that the standards of rateability adopted for the national taxes were applied also to local taxation. From the beginning of the thirteenth to the early part of the sixteenth century, the basis was usually a rough valuation of moveable property, but the enumerated articles consisted chiefly (even in boroughs) of farm stock. During the sixteenth century a new form of subsidy, based on a valuation of either lands or goods, came gradually into use for national purposes; and this modification of the basis extended by degrees to local taxation also.

Early rural rates.

The local taxation for civil purposes was accompanied by an ancient ecclesiastical tax called the church rate. This was assessed and levied parochially by the churchwardens, and was probably collected in the churches at certain of the annual festivals. This tax has been traced back to 1189, but may be older; and it has always been assessed and

Church rates.

[1] *Vide* Report of Poor Law Commissioners on Local Taxation, 1843; a work of the highest value in all that relates to the previous history of the subject.

levied according to custom. Owing to the unequal and often excessive area of the parishes, the church rate remained for several centuries the only parochial tax.

Sewers rates.

A tax called the sewers rate, for the protection of districts liable to floods and kindred purposes, was imposed in certain affected places as early as 1427, and is still levied under the authority of a statute of 1532. This has been supplemented by a general sewers tax imposed in 1841, and a land drainage rate imposed in 1861. We learn from Mr. Dowell that paving rates began about 1477; but they appear to have been confined, until modern times, to a few of the larger cities and boroughs. An Act passed about eighty years later required the repair of the highways by the parishioners' own labour, or through the gratuitous use of their horses—a method which remained largely in operation in rural districts until the present century. In 1530 and 1531 the county justices were empowered to levy separate direct taxes for the repair of bridges and the erection of gaols, and to appoint collectors of their own, instead of apportioning the burden among the hundreds and townships. This was a new departure in local taxation, and would appear to have been abandoned in practice later on. But it affords an indication of the growing influence of the county justices, whose autocratic rule henceforth superseded the ancient popular forms of county government.

Paving rates.

Repair of highways and bridges.

Origin of poor rates.

During the fourteenth, fifteenth, and sixteenth centuries the relief of the poor had engaged the attention of the legislature at intervals, but no general taxation for the purpose was considered necessary. We learn from the *Mirrour of Justice* (chapter i., section 3) that "it was one of the ordinances of Edward I. that the poor should be maintained by parsons, rectors of the church, and by the parishioners, so that none of them die for want of sustenance." In the fifteenth year of Richard II. an Act was passed providing for the relief of the poor out of the fruits and profits of the living of each parish church; and until the dissolution of the religious houses, volun-

tary measures were found a sufficient supplement to the obligations imposed upon the clergy. From this period, however, the need became increasingly urgent. The cessation of the daily doles at the gates of the monasteries aggravated the difficulty, and was followed by a series of legislative efforts to systematise the giving of weekly alms by the parishioners; but it was ultimately found necessary to levy a rate in every parish throughout the land, and

Act of 1601.

the Act 43 Elizabeth, chapter ii., was passed in 1601 with this object. By this it was enacted that the churchwardens and certain other persons selected annually, called overseers, should "raise, weekly or otherwise (by taxation of every inhabitant, parson, vicar and other, and of every occupier of lands, houses, tithes, coal mines, or saleable underwoods in the said parish, in such competent sum or sums of money as they shall think fit) a convenient stock of flax, hemp, wool, thread, iron, and other necessary ware and stuff, to set the poor on work. And also competent sums of money for and towards the necessary relief of the lame, impotent, old, blind, and such others among them being poor and not able to work, and also for the putting out of such children to be apprentices, to be gathered out of the same parish according to the ability of the same parish."

The Act also gave power to the justices to raise moneys elsewhere in the same hundred or county to assist a parish not able to support its own poor. No guidance was given to the overseers as to the mode by which the liability of the individual inhabitants should be determined, nor as to the standard by which their "ability" should be measured. This was probably only another way of making applicable the rules and methods already established by usage for raising both national and local taxation.

The standards of ability then in use were those known as

Basis of assessment.

"lands" and "goods," the assessing authority being at liberty to take that one which would give the highest assessment, but not both. But these standards were applied in a very loose fashion. The taxpayers were "put up or lowered without any reasons that could be reduced to a rule."[1]

[1] Dowell's "History of Taxation and Taxes," vol. 2, p. 5.

Under the Commonwealth an era of somewhat greater strictness and regularity in the assessment of taxes began, and we find for the first time evidence of a more general adoption of the basis of rents, both of lands and buildings, as well as of personal estate. There is little doubt that this increased precision extended to the assessment of the poor rate and other local taxes, and that it was about this time that the standard of assessment began to crystallize into one of rent or annual value, as it is at present, the assessment of urban householders on this basis being substituted for that in respect of stock-in-trade.

History of the poor rate.

The Poor Law of Elizabeth has been singularly little affected by subsequent legislation ; but its administration has been the instrument by which some economic questions of the first order have been practically illustrated on a great scale. Down to 1747, the date of our earliest poor-relief statistics, the administration of poor relief appears to have been conducted with prudence and economy. A reference to Table II. in the Appendix will show that the average cost, which was then probably not more than 2s. per head of the population, afterwards rose rapidly and continuously, until in 1817 it reached 13s. 3d. per head. Grave abuses, which sprang up and developed with alarming rapidity, had well-nigh pauperised the mass of the English people, when the Poor Law Amendment Act of 1834 stayed the evil. The chief modifications effected by this Act were the grouping of the less populous parishes into "unions" of considerable area or population, and the transfer of the business of relief and administration from the parochial overseers to boards of guardians acting for the unions. The most populous single parishes were granted the status and machinery of unions, and treated as such. The liability of each parish in a union for the cost of the maintenance of its own poor was continued until 1865, when the charge was cast on the union as a whole. The poor rates are, however, still levied by the overseers, under a system of valuation, assessment, and levy which will be dealt with in a separate chapter. It is necessary to state that the curious and probably unintentional exemption of the occupiers of all mines except coal mines, and of

all woods except saleable underwoods, from liability for poor rates, was at length ended by the Rating Act of 1874. Under this law these subjects, together with fishings and shootings, were brought into the categories of rateable property; and little, if anything, now remains excluded to which the liability for rates could legitimately be extended. The general rule of assessment upon the "annual value" is, in spite of difficulties, applied all round with a uniformity rare in English legislation. The subsequent financial progress of the poor rate will be shown in the statistical tables which follow.

Unit of area for rating.

The unit of area first adopted for poor rate assessment purposes was the parish, evidently in continuation of the voluntary forms of taxation, in the church, and by the officers of the church, which had previously been in operation for this object. This was the first time the parochial area had been adopted, except for church rates, and the inconveniences arising from the excessive size of the parishes in the north of England soon led to its partial abandonment. By an Act of 1662 permission was given for the substitution of the township where found needful, and this area has since been, and is still very generally in use in the northern counties. By the same Act the

Constable's tax.

constable's tax was placed under statutory regulation, the persons and property assessable being prescribed as those charged with the poor rate. The importance of this ancient tax gradually declined, and as the purposes for which it was originally levied became obsolete or were otherwise provided for, the tax itself fell into disuse. Of the other ancient

Hundred rate.

local taxes, the hundred rate gradually became merged in the county rate, as the purposes for which it was levied were undertaken by the county authorities or became obsolete; but the hundred is still liable to be rated for the payment of compensation for damage resulting from riot.

County rate.

The county rate, on the other hand, has not only been applied to new purposes, but has swallowed up a number of subsidiary rates, imposed upon the inhabitants of the counties between the middle of the sixteenth and the middle

of the eighteenth centuries. The Act 12 George II., chapter xxix., consolidated these in 1739, and directed that the general county rate should be paid by each parish or township in one sum, to be taken out of the poor rate, or raised in like manner thereto. This is the present practice. Church rates maintained their independent existence, but with gradually increasing difficulty, until 1868, when the power of enforcing payment was withdrawn by Parliamentary enactment, save in certain cases where loans were secured upon them. As these loans have been nearly all repaid, the remaining church rates have been almost wholly extinguished, and the tax is now virtually a thing of the past.

Highway rate.

By an Act of 1691 highway rates were for the first time authorized by statute, the tax for the purpose being imposed as an addition to the poor rate. It would seem that, notwithstanding this enactment, the older practice commonly prevailed for a century longer;[1] but in 1773 the county justices were empowered to enforce a more adequate performance of the parochial duty of maintaining the highways, and rates for the purpose became more general. Statute labour in lieu of payment of rates was not entirely abandoned until the middle of the present century. Sir John Sinclair estimated the amount of the highway rates in 1803 at £100,000, but by 1817 the amount had risen to £1,415,000.[2] The subsequent progress of this tax may be seen by reference to Table II. in the Appendix. From 1815 to 1865 the highway rate was levied separately from the poor rate, and it has since been so levied in many rural parishes. Under the Local Government Act of 1894, the separate assessment and levy of highway rates will, however, soon entirely cease.

Other minor rates.

The present century has been prolific of new rates, among the number being the militia rate, 1802; burial of the dead rate (bodies cast ashore by the sea), 1808; gaol fees rate, 1815; shire halls rate, 1829; and lunatic asylums

[1] See *ante*, p. 3. [2] It appears from Lord Monteagle's Draft Report on Burdens on Land, 1846, p. 19, that one-third or more of this latter sum consisted of the estimated value of statute labour. See Appendix, Table II.

rate, 1829;—all of which were subsidiary to the county rate, and have, in practice, become merged therein. The workhouse building rate, 1834, and survey and valuation rate, 1836, have in like manner become incorporated with the poor rate. The imposition of the borough rate and borough watch rate in 1835 was incident to the reform of the municipal corporations upon a representative basis, after a period of usurpation, abuse, and decline, dating back to the evil times of the Tudors and Stuarts. The Municipal Corporations Commission of 1835 reported that many corporations possessed revenues "from lands, leases of tithes and other property; from tolls of markets and fairs; from duties or tolls imposed on the import and export of goods and merchandise; from quay and anchorage dues, etc.; and from fees and fines."

Borough rate.

In several boroughs, rates were levied similar to county rates, but some had no revenues whatever. Owing to the debased character and oligarchical constitution of the municipal corporations, no new duties were confided to them by Parliament for more than a century prior to the reform of 1835, such public works as were imperatively needed being entrusted to private persons or specially created commissions. Thus in 1684 an enterprising speculator, named Hemming, obtained exclusive authority to light the metropolis at night with lamps; and the Watching and Lighting Act of 1833 created special authorities for the performance of these elementary municipal duties within the boundaries of the boroughs and elsewhere. The borough rate and borough watch rate are collected by the overseers with the poor rate, unless otherwise ordered in local Acts. The county police rate, imposed in 1841, is still nominally a distinct rate; but as it is, like the county rate proper, collected as part of the poor rate, no machinery for its assessment or collection is required.

The progress of the rates referred to in the foregoing historical survey, so far as the figures are known to exist for the years selected, is exhibited in Table II. of the Appendix. That table does not, however, cover the whole field of local finance. About

the middle of the eighteenth century the badness of the main roads of England and Wales led to the creation of turnpike trusts, under which the trustees were empowered to levy tolls for the improvement and maintenance of the roads placed in their charge, and for the making of new main roads. The system spread rapidly, the turnpike roads were greatly improved and extended, and large sums were levied in the form of tolls. In 1840 the sum so raised was £1,659,154, and in 1843, £1,348,084; but by 1868 the tolls had fallen to £914,492, and in 1890-91 to £2,353. The introduction of railways so diminished the traffic on many of the roads that rates were required to supplement the tolls; and the latter have been practically abolished by the expiry and non-renewal of the trusts.

Turnpike tolls.

Prior to 1835 the municipal corporations levied their revenues under the authority of Charters and local Acts, but no record of the amounts so raised was kept for the whole country. There was, indeed, no comprehensive statute requiring the production of annual returns until 1860. Mr. Goschen stated that "previously to 1841, neither receipts nor expenditure are chronicled in respect of any of the following branches of local administration: police; general sanitary improvement of towns; lighting, watching, and paving; government of towns; sewage; drainage; and even in the more complete investigations undertaken in 1846, London rates are only entered to the extent of £82,000." He roughly estimated the rates of which no records were kept at £400,000 in 1817, and £600,000 in 1840.[1]

Table IV. shows the progress made in 1870, and furnishes the earliest view obtainable of the heavy modern taxation for sanitary and improvement purposes, which has so seriously augmented the burdens and indebtedness of urban localities, notwithstanding the relative saving effected under some of the older headings. Items 6, 7 and 8, amounting to over £3,000,000, are almost wholly of this character. The first of a series of Acts relating to the public health and cognate matters,

Sanitary rates.

[1] Report on Local Taxation, 1870, p. 9. Mr. Goschen's researches and labours in the domain of Local Finance have been of the very highest value to all subsequent enquirers.

involving the levy of rates and the borrowing of money, was passed in 1848, and has been supplemented at short intervals down to the present time. The country has been mapped out into urban and rural sanitary districts, the authorities of which are invested with a multitude of powers, and charged with a multiplicity of duties. Their expenditure has rapidly attained very large proportions (as will be seen later), and has, in urban districts, been met by the levy of rates, based upon the poor rate valuation, but separately collected. In rural districts the general expenses are met by a simple enlargement of the poor rate, but the expenses incurred for the benefit of sectional areas are met by special sectional rates. In corporate boroughs the sanitary authority is usually the town council or a committee thereof; but as the greater part of London has no such council, various metropolitan authorities have been either temporarily created or invested with temporary powers and duties. Since the creation of the London County Council in 1889, a portion of the work has been taken up by that body. Within the small central area known as the City of London, the ancient unreformed corporation still exercises a limited authority in municipal matters; but a semi-independent body known as the City Commissioners of Sewers has the charge of all the modern departments of administration, except main drainage and the fire brigade, which are in the charge of the London County Council. Outside of London and the corporate boroughs, the local government of urban areas had hitherto been entrusted to local boards or improvement commissioners, but is in future to be in the charge of the newly-created district councils; except that the police arrangements are left in the hands of the county authorities.

To the foregoing catalogue it is only necessary to add that the provision of cemeteries has, since 1854, been made a matter of civic concern, with the usual result of an additional rate; and that the creation of school boards under the Elementary Education Act of 1870 has led to the imposition of a local tax of considerable weight in the metropolis and many other places. The rates for both of

Cemetery rate.

School rate.

these purposes are, however, usually collected as additions to other local taxes. Many less important developments of local and municipal activity have been provided for by similar methods, or by the simple enlargement of previously existing rates, and need not be enumerated here. The recent growth of the local burdens and the development of the local finances will be further exhibited in the succeeding chapters, and in the appendix.

CHAPTER II.

The Existing System.

We are now in a position to take a survey of the principal features of the system of local finance which exists in England and Wales at the present time. The number of local authorities whose receipts and expenditure are tabulated, exceeded, in 1891, 28,000. The populations and annual rateable values of the urban and rural districts, according to the poor rate valuations, were in that year as follows:

	Population.	Rateable Value.
		£
London	4,211,056	31,596,896
293 municipal boroughs . .	10,636,479	43,544,648
715 other urban districts .	5,955,235	23,696,177
Total urban districts . .	20,802,770	98,837,721
The 575 rural sanitary districts	8,198,248	53,278,287
	29,001,018	152,116,008

Analysis of receipts.

Table V. shows that of a total receipt (exclusive of loans) amounting to £51,437,425 in the year 1890-91, £27,818,642 represented the yield of the rates; that is, of direct taxes levied in respect of the occupation of real property. Of the remainder, £8,627,027 consisted of the revenues from gasworks, waterworks, markets, and other undertakings, mostly of a remunerative, or partly remunerative, character; £4,724,340, of tolls, dues, fees, fines, etc.; £1,741,217, of rents and other receipts from property (including sales); and

£7,181,010, of treasury subventions and allocated taxes paid out of, or diverted from, the national exchequer. Table VI. shows the various classes of local authorities to whom the expenditure of these sums is entrusted, and the amount expended by each class; and in Table VII. we see the same expenditure classified according to the objects to which it is devoted. Finally, the amounts of the loans outstanding on the 25th of March, 1891, and the purposes to which they have been applied, are set out in Table X., and complete the edifice. The total local debt on that date was £201,215,458.

Taking these sections in the same order, and reverting to the revenue from rates, an analysis of the total for 1890-91 will be found in Table VIII. It is, however, a matter for regret that neither Mr. Fowler's report nor the annual local taxation returns furnish an analysis in the form adopted in Table IV., or a modification thereof. Many of the rates set out in Table VIII. are "precept" rates; that is, rates levied by one authority in obedience to a periodical demand or precept from another authority. In boroughs and other extra-metropolitan urban districts the rates are usually levied under the two main heads of poor rates and general district rates; but the lines of division are not uniform. Expenses, which in some places are defrayed out of the proceeds of the poor rates, are, in other places, met from the general district rates, and, in yet other places, are the occasion of special rates. In London the division roughly corresponds to that of the boroughs, but there are considerable differences of detail. The vestries and district boards raise the rates needed for most of the sanitary and improvement purposes, and also for the London School Board. But the London County Council also performs certain sanitary duties and undertakes improvement works, the expenses of which are defrayed out of the moneys raised as poor rates. The county rate, the borough rate, the school board rate, the burial board rate, and the rural sanitary rate are usually levied as precept rates. In some cases the precepts are sent direct to the collecting authority, and in others through an intermediate

Rates.

Precept rates.

body. Those which ultimately fall to be collected by the parochial overseers are either paid out of, or collected with, the poor rate, and are included under that general title in both popular and official terminology. The sum raised as poor rates in 1892-93 was £16,531,406, which, on a rateable value of £157,722,913, was at the average rate of 2s. 1d. in the £. Of the sum thus raised, £7,595,873 was expended by poor law authorities, and the balance of £8,935,533 was handed over to other local authorities in obedience to their precepts. These latter sums are equal to 11½d. and 1s. 1½d. in the £ respectively.

General district rate.

By far the most important of the rates collected independently of the poor rate is the general district rate levied by the urban sanitary authorities,[1] with which may be included the rates of the metropolitan vestries and district boards and the commissioners of sewers in the City of London. This rate yielded in 1890-91 a revenue of about nine and one-half millions, exclusive of the £1,360,000 levied therewith in London for the London School Board. No analysis of the expenditure of this large sum is published in a concise form, but the purposes to which it is applied include (1) street improvements, repair of urban highways, and street watering and cleansing; (2) sewerage and sewage disposal works; (3) public lighting; (4) dust and refuse removal; and (5) miscellaneous sanitary work. In many places some or all of the following purposes are added: (6) hospitals; (7) water supply; (8) fire brigades; (9) cemeteries; (10) parks and pleasure grounds; (11) bridges and ferries; (12) public libraries and museums; (13) markets and fairs; (14) baths and washhouses; and (15) artisans' and labourers' dwellings.

Rates separately levied.

The remaining rates which are separately levied are the sewers, drainage and embankment rates, where such exist;[2] county and other rates, usually raised as precept rates, but separately collected in certain cases owing to the overlapping of areas and boundaries; and certain special or peculiar

[1] See *ante*, pp. 9 and 10.
[2] This relates to lands only; see *ante*, p. 3.

rates levied under the authority of local Acts of Parliament.

Confusion is sometimes created by the carelessness of the legislature and of writers of books in the use of names and terms. The use and misuse of the word "rate" is a glaring instance. Not only is it applied to a book of assessments, to the scale of taxation adopted therein, to the valuation of any one building or piece of land in the valuation list or assessment book, and, finally and most commonly of all, to the tax payable by the individual ratepayer; but, most culpably, also to charges for domestic supplies of gas and water, and for such matters as the paving and sewering of new streets when the owners of the adjacent properties neglect to perform their duties in these respects. The charges for gas and water supplied for domestic and trade purposes have been already distinguished from taxes; they are neither rates nor taxes, but prices. It remains to be noted that the so-called "private improvement rate" is likewise in no proper sense a tax. Under a complicated mass of parliamentary and judge-made law, the owners of houses in urban districts are required to provide, as part of the equipment of the houses, efficient sanitary appliances within the premises, and means for the effectual discharge of the sewage; a satisfactory supply of water; a properly paved, channelled, and drained street or approach; and the means for lighting the latter. In rural districts some of these obligations are either not existent or only attach in a modified form or degree. In both urban and rural districts the owners of land have some minor liabilities of a corresponding character. When the obligations thus imposed on property-owners are neglected or imperfectly discharged, the local authority has power to perform the duties and to charge the owners with the cost. These charges are recoverable either by summary process or by means of "private improvement rates." The Public Health Act, 1875, imposes one-fourth of the burden of a private improvement rate upon the occupiers of the affected houses. The unfairness and impolicy of this arrangement were pointed

Meaning of the term "rate."

Private improvement rates.

out by Sir Hugh Owen in 1884, but although his view passed unchallenged, no action has been taken in the matter. But a further burden of very serious weight is thrown upon the general body of ratepayers in consequence of the frequent inability of the local authorities to make the charges recovered by either plan cover the cost of the private improvement works undertaken by them. An examination of the printed accounts of many municipal corporations will reveal the existence of a large deficit resulting from such works, which, with the interest and instalments of private improvement loans, value of the services of corporation officials, legal expenses and other costs, imposes a serious charge upon the ratepayers.

The methods of valuation, assessment and collection pursued in the levying of rates will be more fully described in the next chapter.

Profitable undertakings.

The revenue from waterworks, gasworks, markets, and cemeteries is chiefly in the nature of the price of commodities or privileges sold or let. Against it must be set the expenditure by which this revenue is earned or otherwise obtained before the profit can be ascertained. This can only be imperfectly done by the use of the figures in Table VII., owing to the inclusion of the interest on loans payable in respect of such undertakings and properties under the general heading of "Payments in respect of Principal and Interest of Loans." It may, however, be taken as a fact that gasworks and waterworks are usually profitable undertakings, which yield a surplus revenue available for the relief of the local rates. Markets and cemeteries are much less uniformly sources of profit, the deficits which result in a large proportion of cases being a charge on the public rates. With the exception of tramways and harbours, the other undertakings classed in the same category in Table V. are rarely more than partially reproductive.

Tolls and dues.

The revenue from tolls, dues, and duties includes market tolls and harbour dues, and a great variety of more or less analogous charges. With a few exceptions there are no longer any taxes of the octroi class in England and

Wales, the coal and wine duties in the City of London, which until 1889 formed an important exception, having now entirely ceased to exist. The City authorities still levy a metage duty of three-sixteenths of a penny per hundredweight on all grain brought into the port of London, which yielded a revenue of £18,634 in 1890. The other exceptions are found at Newcastle-on-Tyne and Carlisle, where heavy tolls are levied upon the merchandise which enters or leaves those cities. These relics of the dark ages operate unequally and injuriously upon particular trades, are excessively costly, and should be consigned to oblivion without delay.

Property and investments.

The local revenues from property and investments consist chiefly of ground-rents and other rents received by a small number of municipal corporations which are fortunate enough to be the owners of considerable landed estates; of rents of portions of municipal buildings and payments for the use of public halls, etc.; and of the interest and dividends on investments for sinking fund purposes.

The local revenues from Treasury subventions and allocated taxes have recently been so largely developed and augmented as to require a somewhat lengthy notice, and they will, therefore, be specially dealt with in a separate chapter.

Local debt.

The outstanding debt of the local authorities of England and Wales on the 25th of March, 1891, amounted to the large sum of £201,215,458. No complete statistics of the local indebtedness were compiled until recent years, and its growth cannot therefore be fully exhibited. In Mr. Fowler's report of 1893, he gave a statement of the debts outstanding in 1868 which he had been able to trace. These amount to £43,813,000, of which no less than £18,899,000 is debited to harbour, pier, and dock authorities; but he states that the list is known to be incomplete. The first year for which the official local taxation returns purport to give the total amount of the local debt is 1874-75. In that year it is stated to have been £92,820,100. In 1879-80 it had increased to £136,934,070, in 1884-85 to £173,207,968, and in 1890-91 to £201,215,458. The allocation of the loans to their respective purposes has only

been accomplished in the returns for 1884-85 and subsequent years, but the figures for 1884-85 and 1890-91 in Table X. will repay an attentive study.

Whilst the rapidity of the recent growth and the magnitude of the total of the local debt are, at first sight, somewhat alarming, there are reassuring facts which should also be borne in mind. In the first place, the greater part of the thirty-one and one-half millions owing in respect of harbours, piers, docks, and quays is not secured upon the local rates, and is not, therefore, a public liability in the ordinary sense. Then, too, the debt on gasworks, waterworks, markets, and cemeteries is usually secured primarily upon the revenues of these undertakings, and is only a charge on the rates to the extent to which those revenues may be found insufficient to meet the payments for principal and interest. As these undertakings are mainly commercial enterprises which were originally in private hands, and were then sources of considerable profit to the owners, and as their acquisition has been, in most cases, deliberately undertaken in the public interest, it is fair to assume that, even in those cases where a charge falls upon the rates, there is a balance of advantage to the community arising out of the greater excellence or the lower price of the supplies or conveniences obtained. In the great majority of cases the public management of gasworks is productive of considerable money profits, which are available partly for the redemption of the undertakings and partly for the relief of the rates. This is less generally, but still very largely, the case also with waterworks and markets; but cemeteries are at present a charge upon the rates in a large proportion of the cases in which they belong to the local authorities. This is chiefly due to the necessity for repaying a portion of the purchase money each year, and to the present provision, as a matter of prudence, for enlarged needs in the future, owing to the growth of population and to the closing of the churchyards for sanitary reasons.

It is interesting to learn from Mr. Fowler's report that, of the present total local debt, £183,915,189 is owing by purely urban authorities, £13,393,410 by authorities partly urban and partly

rural, and only £3,906,859 by purely rural authorities. From other detailed figures in that report we are enabled to deduce the fact that the bulk of the debt is, indeed, the outcome of a great development of municipal or other public enterprise in recent years, chiefly in the metropolis and the provincial boroughs. This spirit of enterprise is displayed, in a manner equally significant, both in the commercial undertakings from which profits may be looked for and in those departments which are a recognition of unremunerative public duties. The total debt is almost equally divided between the two classes, and the portion applicable to the latter class will be seen to fall mainly under the heads of sanitation, education, and public improvements. When it is remembered that the present generation is not only paying the interest, but also repaying a large part of the principal of these loans, the determination of a self-governing people to incur the cost is an evidence of the development of public spirit in a highly admirable degree.

The aid of the national government in the raising of loans has been more or less available by the local authorities since 1792, when special Acts of Parliament were passed authorising loans by the Treasury for local purposes. In 1817 a body called the Public Works Loans Commissioners was constituted by statute for the regular consideration and grant of applications for loans for local public works of certain specified descriptions, and large sums have been advanced by the Treasury on their advice. But owing to the acceptance of as little as three per cent. interest, and of insufficient security in certain cases, considerable losses have been sustained. Since 1876, the rates of interest have been advanced; and in 1887 a local loans stock was created, by which the advances of the government to the local authorities were distinguished from the remainder of the national debt. Up to that time £106,000,000 had, in all, been advanced throughout the United Kingdom; of which £57,200,000 had been repaid, £11,600,000 remitted as bad debts, and £37,200,000 remained outstanding.[1] The bulk of the existing local debt has been

[1] Mr. Goschen's Budget Speech, 1887.

borrowed from private individuals under local Acts of Parliament, and in the open market under the Local Loans Act of 1875. The periods formerly allowed for the repayment of local debt were often excessively long, extending in one case to 110 years; but recently a much greater degree of strictness has been exercised by Parliament and the Local Government Board in requiring more rapid repayment of all fresh loans. On the whole, whilst the magnitude of the total local debt and of the sacrifices imposed by it upon the ratepayers is sufficiently serious, there is no ground for alarm. The very large present sacrifice entailed under the system of comparatively rapid repayment is in itself both a salutary check upon extravagance, and a guarantee of solvency which is likely to become increasingly operative as time goes on. The bulk of the present local debt is held at rates of interest ranging from three to three and one-half per cent., and is regarded by lenders as a secure investment. Even lower rates of interest are likely to prevail in the future, the Liverpool Corporation having lately succeeded in issuing a new $2\frac{3}{4}$ per cent. loan in the open market at the price of 97'.

CHAPTER III.

Rates: Valuation, Assessment, and Levy.

THE local rates of all kinds are (with certain exceptions which will be referred to subsequently) charged to the individual ratepayers in the form of taxes, calculated at so much in the pound on the "rateable value" of the premises or property occupied by them as will raise the required amount. Thus, if £1,000 be required in a given area, and the "rateable value" is £20,000, the rate in the pound will be one shilling, and so on. This rateable value is now copied into the ratebooks from parish valuation lists, prepared by the overseers under the supervision of the union assessment committees of the boards of guardians.

The form of valuation list now in use provides for the insertion in two columns of the "gross estimated rental" and "rateable value" of each holding; the former being based on the yearly rent which a tenant would pay who was required to pay also the tithe and the usual tenant's taxes. In those cases where the tenant undertakes to effect the repairs usually falling upon the landlord or any other of the usual landlord's charges, a corresponding addition is required to be made to the amount of his rent in assessing the "gross estimated rental." Where, on the other hand, the landlord contracts to pay the tithe or the usual tenant's taxes, a corresponding deduction is made for assessment purposes. Having thus found the gross estimated rental, the rateable value is arrived at by deducting therefrom such a proportion as will cover the average outgoings for repairs, insurance, and renewals.

Valuation list—Gross estimated rental.

Rateable value.

Prior to the passing of the Parochial Assessments Act of 1836, there was no statutory regulation of valuations whatever, the practice of the overseers and county justices being theoretically governed

by judges' decisions. But as these decisions were largely of a negative character, and were not always consistent with each other, the utmost diversity of practice prevailed. In some cases the valuations were of very old standing, and, even if they were originally fair and equal, had long ceased to be so. In most cases gross inequalities existed, and no pretence of uniformity of practice was made in parishes contributing to a common county rate. Undervaluation was generally prevalent, not only because the valuations were old, and revaluations were obnoxious to the occupiers and owners of improved properties, but also with a view to the evasion of a due share of the county and hundred rates. The Act of 1836 did something to remedy this, and further progress has been made under the Union Assessment Committee Act of 1862. These Acts partially codified the law of valuation, and provided machinery for the amendment of the valuation lists. But both the codification and the machinery are still extremely imperfect. Questions of interpretation and application continue to exercise the ingenuity of the judges, and the existing law of rating has been largely made by them. This

Valuation of railways, canals, etc.

is particularly the case with the rating of railways, tramways, gasworks, waterworks, canals, mines, quarries, and certain other kinds of business premises. The rent which a hypothetical yearly tenant would pay for such properties is often impossible of ascertainment, or even of approximate estimation. It has, however, been settled that wherever the business is in the nature of a monopoly or capable of yielding such a scale of profit as would enable the landlord to raise the rent payable by a hypothetical yearly tenant beyond the rents payable in other trades for premises of corresponding extent or character, the valuation for rates shall include the artificial enhancement. Thus, free public-houses will let at

Public-houses.

rents from five to ten times larger than the same premises would command if occupied as shops or private houses. The excess is that part of the profit of the trade which the owner of the premises is able to appropriate, but it is held to be assessable for rates. In the case of tied houses the nominal rent is

often very low, the excess being obtained in the prices of the articles which the occupier is bound to purchase from the landlord. But the valuation is required to be estimated as though the houses were free. This principle has been applied by the judges to the cases of gasworks, waterworks, tramways, and lines of railway; but as a letting value is difficult to estimate by any other method, the profit of the undertaking has been held to be the true basis of valuation. Evidence of trade profit has been held to be admissible, as bearing upon the question of value, in considering the assessments for rates of canteens, railway refreshment rooms, race courses, and soke mills. Railway stations and warehouses are rateable separately from the line of railway, upon valuations reached by the rule of letting value applicable to buildings generally. A similar reservation should also be noted in regard to tramways, canals, gasworks, waterworks, and the other cases in which special methods of valuation have been invented.

Gasworks and waterworks.

Canals, being open to the use of any carrier who chooses to pay a statutory toll, are valued in relation to the tolls only, but inclusive of those paid in the charges on goods carried by the canal proprietors who are also carriers. Mines of tin, lead, and copper are valued mainly upon the basis of the rents and royalties payable for such of them as are held on lease under conditions held to be normal. Coal mines and other mines, quarries, pits, and brickfields are valued in proportion to output, but in such a manner as to cover not only the rent and royalty, but the estimated rent of the lessees' works and plant in addition. The cases of mines, quarries, pits, and brickfields are to be distinguished from other rated subjects in one important respect. The rent paid or assumed is very largely the price of the corpus of the material got, and partakes, to this extent, of the nature of purchase-money. The exhaustion of the coal or other material leaves the mine or quarry worthless, and, as no allowance is made in respect of the capital thus consumed, it is clear that these sub-

Canals.

Metalliferous mines.

Coal mines.

jects are rated on a scale much more onerous than that applicable to agricultural land and dwelling-houses.

Mills and manufactories.

A similar distinction may be made in respect of mills and manufactories containing fixed machinery, the latter being rateable together with the land and buildings to which it is attached.

Although the Acts of 1836 and 1862 gradually effected a great improvement, the machinery for carrying this scheme into operation still remains inadequate and inefficient, except in the metropolis. In the remainder of England and Wales no statutory provision exists for the obligatory periodic revaluation of the rated properties, and no effectual mode of ascertaining the rents and conditions of tenancy of the individual holdings has been applied to local tax assessments. A further element of confusion is furnished by the absence of uniformity in the scales of deduction for repairs, renewals, and insurance adopted in the provincial unions. No scale is prescribed by statute (except for the metropolis), and considerable diversity prevails in practice. In the metropolis the like unsatisfactory condition of affairs was ended by an Act of 1869, under which the national and local valuation proceedings are unified, and a single valuation list governs all assessments in the parish for rates and taxes in respect of real property. A uniform scale of deductions is also prescribed by the Act for all the metropolitan parishes.

The progressive increase of the rateable value in England and Wales is shown in Tables I. and XI., the latter of which gives a comparison of these figures with those of the valuations for the national real property tax in certain years.

County rate and other assessments.

It has already been stated that the local rates are assessed upon the basis of the valuation lists prepared by the parochial overseers. This is generally true alike of the rates made and collected by the overseers themselves (comprehended under the general head of poor rates) and of those made and collected by other local authorities. Owing, however, to the lack of uniformity in the preparation of the provincial valuation lists, the county authorities have been empowered to

prepare an independent scheme or basis of contribution for the purpose of the county rates in each county, exclusive of the metropolis. The national property tax assessments are utilized for this purpose, and revised quotas or apportionments for the several parishes in each county are fixed at intervals of about seven years. Having determined the parochial quotas, they leave the overseers to levy the individual contributions as a part of, or addition to, the poor rates. The meaning of this is that whilst the parish valuation list is held to be a fair basis for the distribution of parochial burdens and of the common charges of the union, it is not accepted as the basis of contribution by the several parishes to the common county charges. The valuation lists are, however, accepted for the purposes of the general district rate and the borough rate, notwithstanding that most of the boroughs comprise several parishes within the municipal area, and that some are situate in more than one union.

Modifications of rating system.

An important modification has been introduced into the practice of rating in connection with the Lighting and Watching Act of 1833, and the series of Sanitary and Improvement Acts which commenced in 1848. Watching and lighting rates under the first-mentioned Act are chargeable only on one-third of the full rate in the pound when levied in respect of land and tithes; lines of railway and canals being comprehended under the term "lands." Sanitary rates in urban districts, and those for special sanitary purposes in rural districts, are chargeable in respect of agricultural land, tithes, railways, docks, and canals on one-fourth only of the rateable value. No such concession is made in respect of that part of the municipal taxation of corporate towns which falls under the head of borough rate, although much of the expenditure to which the proceeds are applied is of a similar character. A further modification has been introduced by the creation of the Metropolitan Common Poor Fund in 1867. Each of the thirty-two London parishes or districts contributes to this fund in proportion to its rateable value, and receives from the fund in return a grant in aid of certain classes of expenditure, the

Metropolitan Common Poor Fund.

grant being proportionate to that expenditure. The effect of this arrangement is that the wealthier districts, having a high rateable value and low expenditure, are taxed to assist the poorer districts where the situation is reversed. In the year 1890-91, the total expenditure charged to the fund was £936,479, and twelve districts paid £213,931 more than they received. In other words, the twelve wealthier districts paid that sum towards the expenses of the remaining twenty. The total amount of the poor rates levied in London in 1890-91 was £4,350,012, of which £2,435,164 was expended in poor relief; and of this latter sum nearly two-fifths were charged to the common poor fund. Having regard to the manner in which the poorer classes are massed together in certain quarters of London, the wealthier classes being chiefly resident at the West End, this appears to be an equitable arrangement. It is idle for the rich and aristocratic parishes of the West End of London to disclaim responsibility for the relief of the poor in the East End, and objections to the arrangement are usually directed to the fact that, whilst London is taxed as a whole for part of the cost, the expenditure is in the hands of the parochial or union guardians and officials. Under certain circumstances this might easily lead to abuse, and would then give rise to a valid objection; but the grants from the Common Poor Fund are so arranged as to minimize the danger of extravagance.

Equalisation Fund.

The principle embodied in the Metropolitan Common Poor Fund has recently received a wider application by the passing of the London (Equalisation of Rates) Act, 1894. This statute provides for the formation of a fund, to be known as the Equalisation Fund, by the London County Council; its amount being equal to a rate of 6d. in the £, each year, on the rateable value of London. The parishes contribute to the fund on this basis by half-yearly instalments, the distribution of the sum thus raised being made in the shape of grants to the sanitary authorities on the basis of population. Contributions are only actually paid in cases where they are not equalled by the grants, and then only to the extent of the difference. The differ-

ences are added to the London county rate, and are paid over by the county council to the sanitary authorities of those districts in which the grants exceed the contributions. As consequences of this measure, it is anticipated that the City of London will pay 5½d. in the £, estimated to yield £96,267, as a net contribution to the sanitary expenses of the less wealthy and more densely populated portions of the metropolis; St. George's, Hanover Square, will pay 4d. in the £; Kensington, 2d.; and Paddington, 1¾d. On the other hand, Bethnal Green will receive a net grant equal to 8½d. in the £; Mile End, Old Town, one of 7¾d.; and Plumstead one of 7½d. In the three latter parishes the population is high, but the rateable value low. In Islington, where both are high, the net grant will be 3d. in the £; and in St. Pancras, with a nearly equal rateable value but smaller population, 1d. only. The grants payable under this Act are made dependent upon the efficiency of the sanitary administration of the local authorities, and the Local Government Board is empowered to divert into the fund for the following year the quotas of such authorities as they may judge to be in default.

There can be little doubt that the principle upon which the Metropolitan Common Poor Fund and the London Equalisation of Rates Fund are based is destined to have a still more extended application in the future.

Levy of rates.

The general provisions of the rating Acts with regard to the levy of rates are based upon the presumption of the liability of the occupiers, and, with few unimportant local exceptions, it is from the occupiers alone that payment can be exacted under the general compulsory powers thereby created. Owing, however, to the great difficulty of collecting heavy taxes from poor people otherwise than in the rent of their dwellings, the legislature has considered it expedient to give a discretionary power to the local authorities, to assess the *owners* of dwellings of small value, and to collect the rates from them, instead of the occupiers.

With regard to the poor rates and the other rates collected by the parochial overseers, the option of adopting the modifying

Acts is placed in the hands of the parish vestries. The Poor Rate Assessment and Collection Act, 1869, empowers the vestry of a parish, at a meeting convened for the purpose by notices affixed to the church and chapel doors, to order that the owners of all rateable hereditaments, which include dwelling-houses and which do not exceed a certain prescribed limit of rateable value, situate within the parish, shall be rated to the poor rate in respect of those hereditaments, instead of the occupiers. The prescribed limit of rateable value in the metropolis is £20; in Liverpool £13; in Manchester and Birmingham £10; and elsewhere £8. The vestry having made such an order, the overseers are compelled to rate the owners of all such properties falling within the prescribed limits in the parish; but the owners are entitled to a deduction or abatement of 15 per cent. or 3s. in the £ from the rates thus falling to be paid by them. A further privilege is given to any owner who is rated in this way by order of the vestry, *viz.*, that of requiring the overseers to rate him for all hereditaments of the prescribed description and value possessed by him in the parish, whether occupied or not, subject to a further abatement not exceeding 15 per cent. If, as is usual, the overseers grant the full additional 15 per cent. thus allowed to cover empties, the total allowance under this Act will amount to 30 per cent., or 6s. in the £. These provisions have been extended to the borough rate and watch rate, where such rates are levied by the overseers, by the Act 45 and 46 Vic. c. 50, and they are also operative as regards the county rate, the rural district rate, and the rural parish rate.

Compositions for poor rates, etc.

In parishes where the powers exercisable by the vestry are not in use, the Act of 1869 permits voluntary agreements between the overseers and owners of property for the attainment of the like objects. These voluntary agreements extend to all rateable hereditaments, whether dwelling-houses or not, within the prescribed limits of rateable value; but the total abatement authorised is not to exceed 25 per cent. The agreement need not, in such a case, embrace all the hereditaments within the limit of value owned by the same person in the parish, provided the overseers

and owner agree to the exclusion of some of them. The overseers cannot be compelled to enter into such agreements, and as they are subject to the control of the vestry, the latter body is really the deciding authority as to what use, if any, shall be made of the powers conferred by the Act. As might be expected, compounding is not extensively adopted in rural districts. In the towns it is in general, although not universal, operation.

Compositions for general district rate, etc.

Compositions for the general district rate are, in the larger cities and boroughs, mostly regulated by local Acts. The provisions of this class of legislation cannot be summarised except by the word chaos. In urban areas not governed under special local Acts, the provisions of the Public Health Act of 1875 are nominally in force, and are more or less operative. Under this Act the owner may be assessed to the general district rate, in lieu of the occupier, at the option of the urban authority, (1) where the rateable value of the premises does not exceed £10; (2) where the premises are let to weekly or monthly tenants; or (3) where the premises are let in apartments, or the rent is payable oftener than once a quarter. But he is only to be assessed upon a reduced rateable value, which may be as low as two-thirds, but may not exceed four-fifths of the rateable value on which the occupier would, if rated, be required to pay. If he is rated for all his tenements, whether occupied or unoccupied, the payment is reduced to one-half. These proportions are much too low, the commission allowed in the case of poor rates being found more than sufficient for the attainment of the object in view. The acceptance of any composition is left to the discretion of the urban authority, and in London and some other places the heavy loss involved has led to a considerable restriction of the practice of compounding.

A little-known clause of the Poor Rate Assessment and Collection Act, 1869, gives the occupier of a rateable hereditament of any value, if it be let to him for a period not exceeding three months, the right to deduct the poor rate from his rent. He is, moreover, not compelled to pay at one time, or within four

weeks, a greater amount of this rate than would be due for one quarter of the year. This provision is not applicable to any rate other than the poor rate, and as the need for its application is largely obviated by the compounding clauses, it is not extensively operative. The occupiers of small tenements in towns very generally prefer to pay all rates and taxes, and the charge for the domestic water supply, in the form of rent; and as the owners find no difficulty in obtaining the extra rent, they (*i.e.*, the owners) are usually the first to set in motion the compounding machinery described above.

Recovery of rates in arrear.

The payment of rates can be enforced, when necessary, by the issue of a summons requiring the defaulter to appear before the local justices or magistrates to show cause why the rate has not been, or should not be, paid. If the rate is, at the hearing, shown to be due and unpaid, the overseers or the urban sanitary authority respectively for their several rates may require the issue of a distress warrant empowering them to seize the goods and chattels of the defaulter. The costs incurred by these proceedings, or any of them, are recoverable as part of the debt, unless the validity of the demand can be disproved. The proceedings are practically the same whether the person in arrear be the occupier or the owner of the rated premises.

Excusal on ground of poverty.

Power to excuse from the payment of poor rates and the rates collected therewith on the ground of poverty is given to the justices or magistrates if the overseers consent. A similar power is vested in the urban sanitary authority (*i.e.*, the town council or urban district council) in respect of the general district rate.

The payment of rates is, in all cases, a personal liability. An occupier is not liable to pay rates due from the previous occupant of the premises, and the owner is not liable unless specially rated under the provisions described above. In no case do the rates become a legal charge on the rated property itself.

The system in force in England and Wales for assessing and levying local rates is extremely complex and confusing, and proportionally costly, inefficient and vexatious. The defects are the

more inexcusable inasmuch as considerable reforms have long since been effected in London and in Scotland and Ireland with good results. It is of the greatest importance that these reforms shall be supplemented and extended, and applied to the whole of the United Kingdom without further delay.

CHAPTER IV.

Treasury Subventions and Allocated Taxes.

TABLE IX. contains a list of the Parliamentary grants in relief of local taxation, and a second list of charges of a local nature borne by Parliamentary votes. The dates at which the grants and payments were first voted are also given, in order that the table may have an historical value. A reference to it will show that these grants and charges are wholly of modern origin, and that their present magnitude is chiefly of recent growth.

History of grants.

The history of these grants and transferred charges is one of successive concessions to the demands of the landed interest; for although the population of the towns has shared in the relief obtained, the agitation in Parliament, and outside, has been conducted almost entirely by the country party. The grants made in 1846 by Sir Robert Peel were avowedly designed for the advantage of the agricultural interests, and those conceded in 1874 and 1882 had a similar object. The great additions in 1888, 1889, and 1890, although made under pressure which came chiefly from the same quarter, were distributed with due regard to the claims of both urban and rural communities They were also accompanied both by a reform of some of the local authorities and by a change of the form of many of the grants. A comparison of the last two columns of the table will show that most of the grants to the local authorities, except those in respect of education, have been withdrawn, and certain specific taxes substituted.

Allocated taxes.

The taxes thus transferred for the year 1893-94 are shown in Table XIX., the English share of the total yield being £6,106,197. The discontinued grants actually received by the local authorities in England and Wales during the financial year ended March 31, 1888 (including

£249,342 received in that year for the first time), amounted to £2,851,850. The additional relief given in that portion of the United Kingdom in 1893-94 was therefore £3,254,347. This is rather less than the net gain in 1891-92, in which year the extra aid or relief of the rates thus afforded was equal to $4\frac{2}{5}$d. in the £ in London, 6d. in the county boroughs, and $5\frac{4}{5}$d. in the administrative counties.

The ceded taxes are wholly managed and collected by the officials of the national government, but the proceeds are periodically transferred to special accounts at the Bank of England, and distributed therefrom amongst the local authorities. The English distribution is, in the first instance, made to the county councils (created in 1888) and the councils of such municipal boroughs as have had conferred upon them the rank of independent counties; these embracing between them the whole of England and Wales. As these county and borough councils are purely representative bodies, and possess the confidence of the people, the expenditure of these large sums of national money by them would appear, on the face of it, to be a less risky experiment than it would have been before the reform of county government in 1888, or if the distribution were made to bodies of a lower rank or of a non-representative character. This is, however, not wholly a correct inference. A large part of the English share of the transferred taxes is passed on by the county and borough councils to boards of guardians and sanitary authorities, over whom they have no control or power of supervision, and as to whose fitness for the duty of expending national moneys there is widespread doubt.

How applied.

The purposes to which these moneys are applied embrace the maintenance of the police, main roads, poor law union officers, pauper lunatics, sanitary officers, vaccination, registration, technical instruction, and intermediate education. With the exception of poor law union officers and pauper lunatics, these purposes are such as may fairly be regarded as matters of national concern, and, if the moneys are judiciously and economically expended by the local authorities, no objection would

remain to the transfer of the burden to the national exchequer. But in this question of judicious and economical expenditure lies the kernel of the matter. Economists have in general been strongly averse to the plan of entrusting local authorities with the expenditure of moneys raised by national taxation. Mr. Senior in his evidence before the Burdens on Land Committee in 1846, expressed the opinion that the transfer of the cost of poor relief to the Consolidated Fund would be ruinous, especially to the labouring class; that it would produce laxity of administration, and destroy industry and frugality. He thought that the transfer of even one half of the cost would discourage economy and be a temptation to create charges, offices and patronage. Mr. Fawcett, writing in 1883, was not less emphatic in his opposition :—

Mr. Senior quoted.

Mr. Fawcett quoted.

"No device [he says] that can be imagined would more effectually weaken all the guarantees for economy. Experience more and more confirms the opinion that the great bulk of the people think that money can be taken out of the Consolidated Fund just in the same way as water is drawn from a perennial fountain, and as if the supply were rained down from heaven." [1]

This statement is undoubtedly supported, and the fears of Mr. Senior have been largely confirmed, by the manner in which the grants which existed down to 1888 were made to subserve purely local and private ends. It has also been repeatedly demonstrated in Parliament and elsewhere that no corresponding or adequate reduction of rates has ever followed the grant of national moneys in relief of local taxation.

One more objection appears to apply to the grants for union officers and pauper lunatics. These expenses have, in rural districts, for three centuries been a burden on the land, and so far as the grants reduce that burden they are a gift from the nation to the land-owners. Mr. Fowler, the late President of the Local Government Board, refers to this point in his report on local taxation as follows :—

Grants in aid of poor rate.

Mr. Fowler quoted.

[1] "Political Economy," 6th ed., p. 604.

"There is another matter to which I must draw attention in connection with this table. It shows clearly that prior to the passing of the Local Government Act, the hereditary poor rates had already fallen to a very remarkable extent since 1868. This fall was due partly to the decrease of pauperism, partly to improved poor law administration, and partly to the assistance given to the rates by the government grant for pauper lunatics, instituted in 1875, which had grown in 1889 to £495,641 for the whole of England and Wales. By the Local Government Act of 1888, a new grant, amounting to no less than £967,793 a year, in respect of the salaries of certain union officers and the cost of drugs and medical appliances, was made payable to the boards of guardians outside London out of the imperial revenue transferred by that Act to county and borough councils. The relief afforded by this grant was therefore given, not to any of the new rates that were pressing with such constantly increasing severity on householders, but to a rate which for generations had constituted an hereditary burden on the land, the rate in the £ of which was steadily falling, and which apparently stood in less urgent need of extraneous assistance than any of the new rates.

"I may add that this rate had already been relieved by no less than four treasury subventions, without including the grant for awards to public vaccinators, *viz.*, the grants (1) for teachers in poor law schools; (2) poor law medical officers; (3) pauper lunatics; and (4) registrars of births and deaths. It should also be borne in mind that the new grant was in no sense an efficiency grant, its amount being determined solely by the amount of the salaries, remuneration, and superannuation allowances of union officers paid by each board of guardians during a year antecedent to the passing of the Act under which it was made payable. Its effect has simply been to transfer a part of the hereditary burden on real property to the imperial revenue."

Results of grants in other cases.

There is something to be said for the relief of most of the other burdens enumerated above from the national revenues. There is an easily comprehended

reluctance on the part of the local authorities and their constituents to tax themselves for new purposes, and for purposes which confer no exclusive local benefit. So long, therefore, as the expenditure is optional, many localities will elect to forego reforms, improvements, and new departures, rather than incur the cost. Even when made obligatory by Parliamentary enactment, it still remains possible to dwarf them to the smallest permissible limits, or to starve the administration. By coupling the grants for police with the attainment of a fair standard of efficiency, much has been done in the past to increase the effectiveness and raise the character of the local forces. The grants for vaccination and registration have in like manner secured the performance of certain functions which would otherwise have been wholly neglected or very imperfectly effected in a very large number of localities. The grant for main roads is fairly justified by the results secured, but the cost is heavy. The expenditure on sanitary officers is at present largely without result in many places, owing to the lax administration of the sanitary laws by the local governing bodies. The grants for technical instruction and intermediate education (the latter in Wales alone) have only existed since 1890, but they are rapidly building up a great and excellent work, which, although much needed, was likely to have remained undone without the stimulus and aid thus afforded. In both directions, a vast amount of voluntary effort and public spirit has been evoked, which only needs wise direction to ensure excellent results before long.

Form and nature of grants.

It now remains to refer to the form recently given to these grants. When, in 1888, the former subventions were mostly withdrawn and the license duties and probate duty substituted, the change was put forward as a great reform. The grounds for this claim are, however, not beyond dispute. The chief ground of objection to the older form was its encouragement of lax and wasteful expenditure, and this holds good as to the present form in an equal degree. The practical result is the same whether the subsidy is drawn from the national treasury or from one or more of the streams which supply that

reservoir. The only real change of importance lies in the fact that, whereas the grants were formerly proportioned to the amount of certain classes of expenditure, they are now primarily proportioned to the yield of particular sources of revenue. If this is a gain, it is largely neutralised by the subsequent transfer of part of the proceeds to the lesser local authorities upon the old basis of expenditure, and without guarantees for efficiency or economy. But the gain is otherwise discounted by the restraints imposed upon the operations of the Chancellor of the Exchequer in his management of the national finances. The probate duty grant has been made to bear the character of a contribution from personal property to the relief of local taxation. This is an error. No change was made in the rate of the probate duty, and, as no reduction was either asked for or expected, the relief of local taxation has not been procured at the expense of the payers of the probate duty. The grant was, in fact, made at the expense of the general body of national taxpayers, precisely as in all the other cases.

The ear-marking of the probate duty (in future it will be the estate duty) and the beer and spirit duties cannot fail to be attended with undesirable influences (apart from the mere limitation of the yield) upon the national revenue and finances. But without presuming to dilate on these, it would appear to be desirable, on general grounds, to withdraw the grants out of these duties at the earliest possible opportunity, and to substitute revenues capable of local assessment and collection. The clear distinction between local and national taxes, and the association of the duties of raising and expending the public monies, which all economists agree in recommending, would thus be restored, with distinct advantage to the public interests on both sides.

License duties.

The transfer of the license duties has much to recommend it; and if arrangements could be made whereby their assessment and collection would likewise be transferred to the county councils and councils of county boroughs, the conjoint distribution of responsibility and advantage, so desirable in such matters, would be attained. At present the officials

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of the central government are required to perform invidious and unpopular functions for authorities which should be competent to perform them for themselves ; whilst the latter are deprived of the opportunity of making the duties more productive, which their command of the police, and, in towns, of collectors who already go over the ground continually, should give them. The one drawback by which the transfer of the license duties may be attended is that it will render the adoption of any scheme of local option, as applied to the sale of intoxicating drinks, very considerably more difficult than it otherwise would have been. Possibly some mode of overcoming the difficulty may yet be devised, but, so far as can be now seen, the transfer imposes a penalty upon those localities which may wish to mitigate a great evil in that particular manner.

CHAPTER V.

The Incidence of Rates.

Few, if any, of those acquainted with the subject will be disposed to disagree with Mr. Goschen's opinion that "the question of the incidence of rates as between owners and occupiers" is "the most important point in the whole controversy respecting local taxation." [1] Although this opinion was expressed more than twenty years ago, it remains at least equally true at the present time. The need of a speedy solution of the problems involved in the subject is, indeed, far more urgent than when Mr. Goschen wrote his well-known report, the burden of the rates in urban districts having grown considerably heavier, and the need for further expenditure on a large scale for municipal and other local purposes having become more generally recognised in the interval. Not only is such a solution essential to the successful handling of the numerous proposals for legislation relative to the relief of the rates, the division of the rates, the taxation of ground values and kindred matters; but equally so in relation to town improvements, artisans dwellings, and numerous other developments of a rapidly-enlarging civic life. Until it is known whether the burden of the rates can be shifted by the first payers to the shoulders of other classes, or not; and, if shifted, in what proportions and to whom; we remain in ignorance whether our present system of raising thirty millions a year is a just and rational one or a gigantic fraud. The widespread doubt which has so long prevailed upon this point has paralysed legislative action in the directions referred to until the sense of injustice has become almost universal, and the consequent

Mr. Goschen quoted.

Urgent need of settlement of question.

[1] "Reports and Speeches on Local Taxation," Preface, v.

discontent is fast assuming grave proportions. A continuance of this uncertainty would leave the country face to face with the alternatives of legislation in the dark or helpless inactivity. In these circumstances, the subject of incidence will be here considered at some length, in the hope of dispelling, in some degree, the obscurity which now enshrouds it, and of assisting to make known the theoretic lines upon which legislative action, where required, should be based.

The chief difficulties arise in connection with urban rates, and it is in urban areas that the question of incidence has become most urgent. But it will be convenient to follow the usual and more natural order, and to deal first with local taxation in rural districts. This consists mainly of rates levied in respect of the occupation of agricultural land, and it may be stated at once, that although these are paid in the first instance by the occupiers, the ultimate incidence is normally upon the property. The theory thus briefly stated is that which has been uniformly held by the leading economists of the past, and it is not less clearly maintained by those of the present day; except that greater prominence is given by the latter to the disturbing elements which may render the conditions abnormal, and thus create exceptions to the general rule. The general theory is based upon the assumption that whilst the competition of farmers for agricultural holdings will always be sufficiently active to secure to the owner, in the shape of rent, all that the land is capable of yielding after the farmer has received a return on his capital and a remuneration for his labour and skill equal to those obtainable in other trades with which farming may be fairly compared, the farmer will be able, taking one year with another, to secure not less than this return and remuneration for himself. He will, when treating for the farm, or in any subsequent readjustment of the rent, take the rates into account as one of the necessary expenses of his trade, and will measure his ability to pay rent by the relative weight of these expenses. The process and result are similar to those which govern the relations of tithes and rent. Where

Rates on agricultural land.

Theory of incidence.

there are no tithes, the tenant can afford to pay, and competition will compel him to pay, a proportionately higher rent for his farm than he would be able to pay, were there tithes to pay also. Rates, like tithes, limit the amount of rent which the landlord can obtain for his land, and are therefore justly regarded as falling, in ordinary circumstances, finally upon the property. It is, however, right to accompany this declaration of theory with a fair statement of the chief exceptions to which it is subject. In those cases where farms are held at rents considerably exceeding the true economic rents, the normal theory of incidence is inapplicable. A remission of rates would not enable the owner to exact a higher rent, and the tenant would get the benefit. Judged by this test, we find that the burden of the rates remains upon the tenant whenever the actual rent exceeds the economic rent for any length of time and to any serious extent.

Exceptions.

One small, but not unimportant, deduction from the full rigour of the orthodox doctrine of normal incidence appears to have been overlooked by the previous writers on this subject. It will be seen farther on that the normal incidence of rates on dwelling-houses is on the occupiers. So far as the rates of a farm are levied in respect of the farmer's dwelling-house, it would seem that he would be unable to shift them to his landlord. As all other traders must have dwelling-houses, and the profits of farming are presumed to correspond roughly (on the average of years) to those of other equally desirable trades, his ability to pay the rates on his dwelling-house out of his own income should be equal to theirs, and his power of shifting them would be no greater. The proportion of a farmer's rent payable for his house is difficult to estimate, but may be placed roughly at 6 per cent.; but it will, perhaps, be fair to place part of this to trade expenses, inasmuch as a portion of the house is frequently used as a dairy or for the storage of seed or produce. If, therefore, we take the net rent for house accommodation to be 5 per cent. of the whole rent of the farm, it will follow that one-twentieth of the rates will ordinarily fall to be contributed out of the farmer's earnings and profits.

Character of English farm rents.

Mr. Goschen, in his draft report for the Committee of 1870, pointed out that a large number of English farms were not at that time let at the full rack-rents, and he drew the conclusion that the incidence of the rates on such farms was partly or wholly upon the occupiers. This passage has been quoted within the last few years by Professors Seligman and Bastable with expressed or implied approval, but it is extremely doubtful whether any English farm rents can now be said to be *below* the true economic rent. Unfortunately, the remarkable fall in the value of agricultural products in recent years has swallowed up the margin between the actual rents and the purely competitive rents where such a margin existed, and has created a margin on the reverse side which has eaten up much of the farmers' capital. The action of economic processes has slowly readjusted rents to the level of prices in many cases,—especially in grain-growing districts, where the fall began first to take effect,—but the operation is not yet complete. Landlords and tenants have alike clung to the hope that the fall in prices was only a temporary one; but instead of rising, prices have continued to fall, and have now reached the lowest general level of modern times. For these reasons, the fall in actual rents has seldom kept pace with the fall in economic rents, and is still, in many other cases, partially or wholly suspended. As the process of readjustment gradually becomes complete, the ultimate incidence of rural rates will be much more fully than formerly on the property; the old semi-feudal relations between landlord and tenant, which tended to the maintenance of easy rents, having given way under the strain of recent economic and political events. Strictly commercial relations will generally prevail in the future.

Old rates on land are not strictly taxes but rent-charges.

Before leaving this branch of the subject, it is necessary to draw a distinction between the ordinary taxation of land as part of a system bearing equally on all other income-yielding property and special taxes which fall on land only, or in an exceptional degree. The income tax and the death duties belong to the former category, but the local rates are, to a large extent, of the latter class. So far

as they are of old standing, and do not exceed the general average amount of past times, these special taxes on land are not taxes at all in the ordinary sense. Their effect is precisely the same in kind as that of a rent-charge. The land is bought or inherited subject to the charge upon it, and the purchaser gives a smaller price in proportion. If land, which had always, or for a long time previously, been free, were suddenly made subject to such a special tax, the effect would be to diminish the capital value of the land by the capitalised value of the tax. If the land were sold immediately afterwards, the new owner and all succeeding owners would be free of the tax, it having been allowed for in the price. The owner at the time the tax was first imposed would lose (all other things being equal) the full proportion of his capital once for all. If the land has always borne the burden from the time it was last granted by the Crown, there will never have been any such loss, but the tax will be a reservation of a part of the property to the State. The application of this theory to the case of rates on lands in England requires to be qualified by the consideration that their amount has not been precisely uniform from year to year, and, possibly, by other circumstances. But there appear to be good grounds for the conclusion that the burden is mainly, as Dr. Giffen suggested in 1871, "on the property, and not on the individuals who have incomes from it." This view was strongly combated by Mr. Dudley Baxter, but has been, within limits, supported by, amongst others, Professors Sidgwick and Seligman. Professor Bastable, whilst accepting the general theory as applied to old and stable taxes on land, objects to local rates being so regarded. The subject deserves a fuller investigation than it has yet received.

Rates on Tithes.

The rating of tithes has always been somewhat peculiar. The gross annual income of the property is assessed, subject only to deductions in respect of rates, ecclesiastical dues and cost of collection; and the owner is deemed to be also the occupier. The owner is thus made liable for the immediate and direct payment of the rates levied in respect of his property, in addition to those which he may have to pay as the

occupier of a house. His position differs from that of the landowner, inasmuch as the latter only becomes the bearer of the burden of the rates levied in respect of the holdings of his tenants by the operation of an unseen economic process, which is liable to disturbance and arrest.

Rates on dwelling-houses.

Few questions have been more stubbornly debated in England in recent years than that of the incidence of rates levied in respect of the occupation of houses. The subject has been considered by Mr. Goschen's Committee in 1870, and by the Town Holdings Committee in 1886 and the five following years. The evidence given was in each instance strongly contradictory, and the reports presented were hesitating and inconclusive. The experience gained in this controversy serves to show that Parliamentary committees are the worst possible instruments for elucidating obscure economic principles and theories.

Theory of incidence.

The old and orthodox theory of the incidence of rates levied in respect of dwelling-houses was that they fell partly upon the occupier and partly upon the ground-owner. Adam Smith argues that this division of the burden is general, but gives no rule for estimating the respective proportions. Ricardo only accepts this view as applicable to rates of immoderate amount, or in decaying localities; holding that "in ordinary cases the whole tax would be paid both immediately and finally by the occupier." M'Culloch and Mill both agree with Adam Smith as to the division of the burden, but they assume the proportions to be governed by the values of the building and site respectively. Both express the opinion that the proportion likely to fall on the ground-owner will usually be comparatively small, Mill asserting that "in the vast majority (of cases) nearly all the tax falls on the occupier." More recently this view has been upheld by Mr. Inglis Palgrave, Mr. M'Neel-Caird, Professor Bastable, and Professor Sidgwick. Professor Munro goes a little further than Mill, believing that the owner of the site only pays so much of the rates as is

Adam Smith.

Ricardo.

M'Culloch and Mill.

Other authorities.

proportionate to the agricultural rental of the site, and that the occupier bears the remainder. Mr. Sidney Webb, whilst holding a conclusion practically identical in result, laboured under the delusion that his conclusion was opposed to the theory of the older and classical economists. The processes which he described under the name of "economic friction" are really, in the main, normal; and the result the natural and normal one.

Goschen.

The first writer of any considerable authority to propound an entirely new doctrine was Mr. Goschen, who, in his draft report for the Committee of 1870, promulgated the theory that the whole burden of the rates falls upon the ground-owner, unless the amount exceeds the average of the rates paid in the same locality prior to or at the time of the leasing of the site. When this average is subsequently exceeded, the excess, he says, falls on the house-owner or the occupier, according to the state of supply and demand.[1] This theory has been adopted by Mr. Sargant and a number of less-known writers; save that they mostly refuse to admit that any portion of the burden falls upon the occupier under any circumstances. Mr. Goschen's view was also largely adopted by the Committee of 1870, and by the more recent Town Holdings Committee; and as expressing the matured judgment of an economist of the first rank and an expert in questions of local taxation and finance, it has been widely accepted or acquiesced in. It is, however, upon Mr. Goschen's dicta of some twenty-four years ago that the maintenance of this theory really rests, no other economist of eminence having endorsed it, and Mr. Goschen having in more recent times refrained from any clear expressions of decided opinion in the matter. Going rather further than the modern authorities quoted above as supporters of the old and orthodox theory, Professor Thorold Rogers has steadfastly maintained that the burden of the rates paid by the occupiers of dwelling-houses remains finally where it is first placed. He has, however, not attempted, either in his books and

Rogers.

[1] See p. 47. The expression quoted at p. 61, note 1, appears to vary this definition somewhat, but the passages given on p. 47 have been more generally taken to represent his theoretical views.

speeches or in his evidence before the Town Holdings Committee, to argue out the grounds of his conclusion; rather contenting himself with the rejection of the arguments of the holders of the opposite theory, as resting on unproved assumptions. The first elaboration of the theory upon which Professor Rogers' conclusion is founded was put forward in an article contributed by the present writer to the *Economic Review* in 1891. It was, however, shortly followed by Professor Seligman's treatise on "The Shifting and Incidence of Taxation," in which the same theory is worked out on similar lines.

Author's own theory.

Seligman.

This theory of the incidence of rates levied in respect of dwelling-houses is based upon the recognition of the primary facts, (1) that houses are necessaries of life, and (2) that the rent they will command is governed by the state of the market, as in the case of other commodities. These points are well put by Mr. M'Neel-Caird, who says:—

Author's theory shortly stated.

"Dwelling-houses, on the other hand [*i.e.*, as distinguished from farm lands], are not instruments of production, but necessaries of life. Demand and supply, in each locality, determine their rent; but the question of its amount is not embarrassed by any consideration, on the tenant's part, of produce to be raised or profit to be made by their use." [1]

It follows from this that the rent and rates fall upon the occupier's income precisely as in the cases of food, clothing, fuel and artificial light; and that the effect, alike of the original quota of rates and of any subsequent increase, upon house-rents is no greater than that produced by the fluctuations in the prices of other necessaries of life.

Most of the English writers who oppose, and some who advocate, an alteration of the existing system, have assumed, without evidence, that the amount which each occupier of a house can pay for rent and rates together is rigidly inelastic; and that any increase of rates, or in-

Chief errors of opposite theory.

[1] "Local Government and Taxation" (Cobden Club Essays, 1875), p. 155.

deed any rates at all, must necessarily be met by a reduction of rent. But there is no such relation between the two things, and the error has utterly vitiated the whole mass of argument advanced by them. It seems tolerably clear that the confusion has arisen through the failure of these writers to distinguish, as Mr. M'Neel-Caird has done, between the cases of farms and dwelling-houses. Mr. Goschen, for instance, although advocating a large alteration of the existing system, fails, in his draft report of 1870, to grasp the essential difference in the nature of the two cases. He says :—

Mr. Goschen quoted.

"To sum up the case of house property generally, it appears that the owners of building-land, like the owners of other land, have to submit to a reduction of rent equivalent to the average amount of rates which the builder or other lessee calculates that he would have to pay according to the average of past rates."

Elsewhere in the same report he says :—

"As a general rule, both in the case of land and houses, when a fresh agreement has to be made with the owner of the soil, the whole of the existing rates comes out of the pockets of the landlord in the shape of diminished rent."

The grounds on which these dicta are based are summed up thus :—

"He (*i.e.*, the builder) knows that tenants of a certain class can afford to give a certain rent, and no more, for a certain kind of house; and, therefore, if building is to take place at all, it is clear that the rates must fall where alone a margin exists to bear them; that is to say on the price given, or ground-rent promised to the owner of the soil."

These grounds will not bear examination. The builder cannot, and does not attempt to, gauge the rent-paying capacity of the various classes of occupiers. He is under no compulsion to do so. He finds that a demand exists

Reasons for dissent.

for houses, and he meets it, just as a butcher or baker meets the demand for food. He buys land and bricks, just as the baker buys flour; and, whilst paying the market price for what he buys, receives the market price for that which he sells. The letting of the land to him, or of the house by him, instead of its purchase or sale, is immaterial, the economic effect of the transaction being the same in either case.

There is, moreover, no such rigid limitation of rent-paying capacity as is here assumed. On the contrary, abundant evidence exists to prove that this capacity is extremely elastic. In the rural districts, the rents paid by the labouring classes, inclusive of rates and water, do not usually exceed a tenth of the occupiers' incomes; whilst in the metropolis they usually range from a third to a fifth, and in other urban districts from a fifth to a seventh. Surely this proves the elasticity to be both real and considerable in the case of the poorest classes. But if that is so, how much more elastic must the capacity of the middle and upper classes be, when their luxurious expenditure and savings are taken into account? Again, an examination of either the local or imperial tax assessments will establish the fact that high rates do not necessarily, or even usually, result in lowering rents. On the contrary, high rates and high rents very frequently go together. This is, indeed, a matter of common knowledge, and goes to prove the non-existence of any such relationship between the two things as is asserted in the above quotations.

Builder pays no rates.

Another mistake is made in assuming that "the builder or other lessee" of the site will have to pay the rates. Unless he is the occupier also, he will not do so directly, and it is a mere postulate to suggest that he does so indirectly. Mr. Sargant puts it thus:—"The builder knows that he will get so much less rack-rent by reason of the rates which the occupiers will have to pay." But he offers no proof of this, none being possible. The extent to which unproved assertions such as this have been put forward as though they were facts which had been proved up to the hilt is not the least regrettable feature of the controversy. Mr. Goschen recognised the important facts that

houses are commodities, and that the occupiers are in the position of consumers. Dwelling-houses are also necessaries of life, and are equally subject, in respect of price, to the economic laws which fix the market prices of such other commodities as food, clothing, and fuel. The builder is therefore under no greater obligation (in a town or district where the rates are of uniform weight throughout its whole area) to take the rates into account when buying or leasing a site, than the baker when buying flour or the coal merchant when buying coal. Professor Seligman puts the general theory of a tax on commodities which are also necessaries of life as follows :—

Author's theory explained.

Professor Seligman quoted

"Prices may rise considerably without appreciably affecting the demand. Such would be the case with absolute necessaries of life. The demand for absolute necessaries of life is not apt to diminish much unless the people starve. The effect of a tax on such commodities would rather cause a diminution in the more elastic demand for comforts, or for the less absolute necessaries."[1]

The only questions, therefore, with which the builder need concern himself are the adequacy of the existing supply of houses and the strength of the demand for new ones. Common experience of the local fluctuations in the activity of the building trade might be appealed to in confirmation of the opinion that these are the considerations which really govern the builder's course of action. But it will be interesting to pursue somewhat further the question of the alleged power of the applicant for a house to regulate his rent for himself in the inverse ratio to the amount of the rates.

As it is a laborious process to trace the possible causes of apprehended effects in a wholly supposititious case, it is usual to test the effect of rates upon the rack-rent and ground-rent of unbuilt houses by the results of a considerable increase of rates in the case of houses already built and occupied. It is perfectly reasonable to assume, and equally easy to demonstrate, that the causes which

Effect of rates on house-rents and ground-rents.

[1] "Shifting and Incidence of Taxation," p. 148.

would prevent a yearly tenant from paying the rates at the outset would enable him, or compel him, to refuse to pay the subsequent increase also. If the pressure of the original quota of rates, whether its amount be large or small, is such as to enable the tenant to deduct a corresponding amount from the rent which he would otherwise pay, and neither more nor less, it is clear that his power of deduction is exactly proportionate to the amount of rates payable. It follows, therefore, that his power to deduct any subsequent increase of rates also is only limited by the duration of his bargain with his immediate landlord, and, as a yearly tenant renews his bargain annually, there is, if this theory be sound, nothing to prevent his transferring the later burden to his landlord the next year after its imposition. It can be thus established that, so far as the occupier and house-owner are concerned, the incidence in the case of the original quota is the same as in that of a subsequent addition to the rates, and *vice versâ*. Now, if it can be shown that the tenant has, in an average case and under normal conditions, no power to transfer either the original quota of, or a subsequent addition to, his rates to his immediate landlord, it will prove that the latter (*i.e.*, "the builder or other lessee") cannot deduct from the ground-rent either the one or the other, inasmuch as he cannot transfer to the ground-landlord a burden which he does not and is not likely to bear himself. It will prove that no portion of the burden of urban rates in such cases falls upon either the ground-landlord or the house-owner, but that the whole burden is borne by the occupier alone.

Let us, then, proceed to consider the question whether the occupier has, or has not, the power to transfer a subsequent increase of rates to the house-owner, by making an effectual demand for a corresponding reduction of rent. One upholder of the affirmative view, with a delicious unconsciousness of the demands of logic and of the necessity for, at least, some show of argumentative proof, disposes of the whole matter by saying that the occupier would "insist" on such a reduction. This, of course, simply begs the whole question at issue. What he has to prove is, that the occupier is in a position to give effect to his demand,

as otherwise no amount of insistence will suffice to secure the reduction. It is quite clear that the only means of enforcing his demand possessed by the occupier is that of giving up the house and throwing it on the owner's hands. Even if this course were generally adopted throughout a particular town, and the inhabitants with one consent determined to suffer the inconvenience and loss of accommodation involved in removal to houses inferior to those to which they had been accustomed, the resulting reduction of rents would be by no means equally general or considerable. The displacement of a portion of the lowest class of occupiers into the streets or the workhouses would be compensated by the descent of a portion of the class next above it, and so on, in varying degrees, through the several succeeding strata of society. Low-class houses would probably suffer no depreciation, whilst the rents of medium-class and high-class houses would gradually regain their original levels through the stoppage of building operations upon property of these classes until the demand had once more overtaken the supply. But it is mere waste of time to argue upon such an assumption. There would be no universal or even general economic compulsion on the occupiers to adopt so extreme a course. On the contrary, it is certain that the great majority of them would do nothing of the kind.

In estimating the proportion of occupiers who would remove to inferior houses if the rates were substantially increased, we may safely eliminate the majority of those who are able to save any considerable portion of their incomes, the diminution of the rate or scale of future savings being a smaller evil than the loss of comfort and convenience which would result from the alternative course. We may also exclude those whose means enable them to enjoy luxuries which they value less than the luxury of a good house; and those who, having no luxuries to surrender, yet prefer to give up some other necessary or decency of life in order to retain the use of a house of the class to which they have become accustomed. There remain those who have been especially extravagant in the matter of house accommodation, and who naturally turn their thoughts in this direction whenever retrench-

ment becomes necessary from any cause; those also who, in estimating the value of the comforts and luxuries they enjoy, give their extra house accommodation a low place; and those, finally, who are already on the extreme verge of pauperism. The surrender of some portion of their customary house accommodation is, for many reasons, repugnant to the feelings of the great majority of householders, and would only be resorted to under the strongest pressure, and in a small proportion of cases. Apart from the loss of accommodation and amenities involved, the trouble and expense of removal are not to be overlooked. But a still more powerful deterrent exists in the feeling that removal to an inferior house is a proclamation of poverty to the world. Whatever we may think of this sentiment, there can be no doubt that it is widely prevalent, and would cause a retrenchment of expenditure upon privately consumed necessaries, such as food and fuel, to be preferred in many cases where there are neither luxuries nor savings to surrender. The effect on rents would, therefore, in the absence of other contributory causes, be inappreciable. The distribution of the burden of the original quota of rates is precisely similar, being, indeed, governed by the same laws. In all those towns where the normal growth of population and degree of prosperity are maintained or exceeded, and the demand for dwelling-houses continues to make the erection of new ones necessary and profitable, the occupier has no power to shift the burden of the rates, or any part of it, to either house-owner or ground-landlord.

A very brief examination of the effects which may be expected to result from a sudden and substantial *reduction* of town rates, accompanied (or quickly followed) by an attempt on the part of the house-owners to exact proportionately higher rents, will further elucidate the subject, and will bring us to the consideration of the more important exceptions to the general rule. Let it be conceded that the majority of occupiers, rather than remove to inferior houses, would submit, for the time, to the demand. But the increased rate of profit thus secured by the house-owners would at once stimulate builders to erect new houses in the hope

of sharing it, and this stimulus would continue until rents were reduced to their normal level. The only circumstance which could prevent or retard this result would be such a scarcity or monopoly of suitable building land as would enable the owners of available sites to put in an effectual demand for ground-rents so much higher than those previously paid for similar plots as to absorb the recently acquired increase of rents. Now, with regard to sites for ordinary dwelling-houses, such a scarcity or monopoly is rarely if ever found to exist. The vastly improved means of communication between the centres of large towns and their suburbs, which have been provided in recent years, have brought practically unlimited supplies of building land into the market, and have also brought the element of competition into active operation in this, as in the other department of supply, *viz.*, the building trade. It is, however, proved by experience, as it is also deducible from economic theory, that the larger the town and the greater the consequent difficulty of making available the supplies of building land for those engaged in business in central situations, the greater is the control of the market secured by the owners of land-values in the inner portions of such towns. This applies, of course, with especial force, to the case of the metropolis. In most of the larger provincial towns business is less focussed than in London, industrial operations being chiefly carried on in outlying districts, and the pressure on the centre is thus proportionately reduced. Even in London the centrifugal forces are by no means wholly ineffectual to overcome the difficulty presented by the vastness of the urban area. Just as the docks are steadily retreating down the river, and the bulk of the work in the building trades is on the outer fringe of an ever-widening circle, so are many other less important labour-employing agencies and business undertakings being driven outwards, with the result that many of the outlying suburbs of yesterday are virtually subsidiary towns, with many of the elements of independent existence, to-day. But, notwithstanding this partial set-off, and the immense relief afforded by the efforts of the more enlightened of the railway managers to

Exceptions

increase, cheapen, and accelerate the means of communication between central London and the outer suburbs, the demand for house accommodation of kinds suitable for the occupation of the working classes in portions of the metropolis so far exceeds the supply that the rents obtainable can no longer be regarded as competitive. In these circumstances the rates may be wholly or partially a deduction from the rent which it would be possible to obtain were there no rates to pay, and to that extent may be said to fall on the landlord.

Land on suburban estates possessing exceptional advantages of situation for residential purposes has usually been let at monopoly rents; but even in these favoured localities the element of competition is fast asserting itself. The wealthier classes, who usually appropriate such sites, are less subject to the necessity of residing near business centres than the middle and working classes; those members of them who are engaged in, and regularly attend to business, having frequently both the inclination and means to travel considerable distances backwards and forwards. The rapid extention of railway facilities enables them, in some cases, to scour the immense area embraced within a forty or fifty mile radius, in search of locations to their liking, and has notoriously levelled down the rents of suburban residences of the better classes to a very considerable extent.

A further exception to the general rule applicable to private houses may be found to exist in those places, happily rare in England, where prosperity is decaying and the population dwindling or stationary. If the supply of houses exceeds the demand for them it will be in the power of the occupiers to shift the burden of an increase of rates to the house-owners, and, perhaps, eventually to the ground-landlords. But here, again, the decay of the existing houses will gradually adjust the balance of supply and demand, and, in time, replace the burden upon the shoulders of the occupiers.

Shortly summarised, the conclusions reached by the foregoing analytical review of the subject of the incidence of rates on dwelling-houses may be thus stated :—

Summary as to rates on dwelling-houses.

(1) The general rule is that the burden is wholly and finally

upon the occupier. (2) The exceptions to this rule are found to arise from the absence of competitive conditions, such as in the cases of (*a*) congested areas in the central portions of the metropolis, (*b*) exceptionally advantageous suburban sites, and (*c*) stagnant or dwindling towns; in the first two exceptions the burden will be partially or wholly transferred to the owner of the ground-value according as his monopoly is found to be relative or absolute, whilst in the latter case this result will depend upon the extent and duration of the excessive supply of houses in the particular locality.

Incidence of rates on shops, etc.

The examination of the incidence of rates on shops and other buildings used for business purposes is embarrassed by the question of the extent to which the trader is able to charge his customers with the tax in the prices of the goods sold or work done. Let us take first the case of a shop and warehouse to which no dwelling-house is attached. It is clear that the rates are a business expense, and that the trader will charge his customers with it if he can. His ability to do this will largely depend upon his freedom from the competition of traders not equally subject to the like expense, such as, for instance, shopkeepers and merchants in other towns or abroad, dealers in public markets, and hawkers. The barriers which formerly protected the shopkeeper from the invasion of his market from a distance are more and more giving way, owing to the increasing facilities for every kind of communication; and, so far as the prices of his goods are governed by external considerations, he appears to be in much the same position as the farmer. As these considerations do not apply to all trades uniformly, their influence on rents is smaller than it might be were all affected alike. But that they have some influence appears to be probable, and to that extent, whatever it may be, the incidence of rates on shops, etc., may be regarded as upon the owners of the premises, and, finally, upon the ground-owner. There may be, also, the further effect of taxing the profits of the most affected traders. It is scarcely open to dispute that the profits of certain trades have declined in recent years. This is no doubt due to a combination of causes, and

will probably be partially or wholly adjusted in the course of time. In the meantime, the rates paid by those traders who are unable to recover them in the prices of their goods must, so far as they are not borne by the owners of their trade premises, be paid out of their trade profits. The extent to which prices, rents, and profits are respectively affected by the existing rates on trade premises cannot be estimated, but it is tolerably clear that the whole burden is not upon prices, as might at first sight be supposed.

In the case of the shopkeeper who resides in a dwelling-house attached to his shop, it is fair to assume that the rates on the residential portion of the premises will follow the same rule as if the house were separate and distinct from the shop. This will limit the foregoing observations on the local taxes in respect of business premises to (1) cases in which no residence is attached, and (2) the business portions of the combined premises where dwelling-houses are included.

Other cases considered.

It has been usual to confine the examination of the question of the incidence of local taxation to the cases of land and houses, to the exclusion of railways, canals, gasworks, waterworks, mines, quarries, pits, brickfields, and other properties used in business to which the term "houses" has no proper application. Some of the forms of property embraced in the above catalogue had no existence when the older economists wrote, and the others existed only on a comparatively small scale, and their omission was natural and immaterial. This has long ceased to be the case, and the failure of modern writers to deal with these important elements detracts largely from the value of their conclusions. Some statistics, showing the magnitude of the properties and interests thus ignored, are given in the next chapter.

Railways.

The opinions of economists as to the real incidence of taxes on railways are somewhat conflicting, and their precise bearing on the question before us is difficult to define. No question arises as between occupier, building-owner, and ground-landlord, these interests being generally consolidated and merged in that of the shareholder.

The only other interest concerned is that of general public, and it is clear that, so far as the rates paid by the companies cannot be shifted to the passengers or to the senders or receivers of freight, they must fall on the shareholders. The monopoly which each company possesses in its own district, although tempered by the statutory limitation of the scales of fares and freights, would point to the shareholders as the real bearers of all taxation imposed upon the companies. They are, according to the theory of the late Professor Fawcett, presumed to be exacting the utmost payment which the law will allow, or the traffic will admit, for all non-competitive traffic; and to be successfully maintaining the charges for competitive traffic at the most remunerative level by agreement amongst themselves. They are, in short, getting as much profit as they can, and have no reserve of unused and, at the same time, profitable charging power by means of which any taxation, new or old, can be transferred to their customers. Where a reserve may nominally exist, as in the case of competitive charges which are below the authorised maximum, any augmentation of these charges by agreement is practically barred by the knowledge which the companies possess that they are already exacting as much as the traffic will, under existing conditions, bear. In the metropolis and large provincial towns, the local traffic is competed for by omnibuses, which have the free use of the streets; and by cars, which use lightly-rated tramways. The owners of urban local railways are thus, for other reasons, less able to transfer the burden than the owners of trunk lines and rural branches. It does not follow from all this that the existing local taxation of railways is unfair or unwise. The present burdens on this class of property do not prevent the continuous extension of the railway system of the country, alike by new companies and by old ones. The privileges conferred by Parliament upon railway companies are so valuable that the State is entitled to reserve some advantage beyond its general powers of taxation. In some countries this takes the form of special and peculiar taxes of substantial weight. In England it has taken various forms, which we need not stay to consider. The point to

be noted here is the apparent inability of the shareholders to transfer the taxation imposed on them to any shoulders other than their own.

Canals.

In the main, it would seem that Fawcett's theory of the incidence of taxes on railways applies to canals also. It will be remembered that the basis of the rating of canals differs from that of railways in being related to the tolls only, and not to the total profits, including both tolls and the profits of the trade of carriers. The weight of the local taxation falling on canals will therefore be relatively lighter than that on railways. But it is difficult to perceive any difference in the incidence, the barriers to any transference of the burden being similar in kind, and apparently not less difficult to surmount.

Gasworks and waterworks.

The cases of gasworks and waterworks so far resemble the case of railways that they are rated on valuations which include profits as well as pure rent, in being local monopolies, and in frequently being limited by statute as to the charges which the owners may make for gas and water. The interests of occupier and owner are also usually consolidated and merged in that of the shareholders or public authority who carry on the business. The reasoning by which the incidence of rates on railways is determined must, in the main, be held to apply to gasworks and waterworks also; and it leads to the conclusion that the tax falls chiefly, if not wholly, on the profits of the undertakings.

Mines.

Mines are usually held on leases of considerable duration, and consist partly of the coal or other mineral for which royalty is paid, and partly of shafts, workings, plant and surface buildings created by the lessees' capital. The tenancy created by a mining lease being undertaken for the purposes of trade, and with the object of making profit, it is usual to assume that the existence of rates is taken into account in fixing the amount of rent or scale of royalty to be paid. This may be partly correct, but the extent to which it would affect the rent is not easy to estimate. If the rates can be charged to the consumer in the price of the mineral, when sold, the rent will not be affected. If the price is regulated by external considerations, such as foreign competition, the reverse result may be expected to follow. But

in any case, the effect on the rent will be limited to the rates in existence at the time the lease is granted, and to such portion of the total contemplated burden as would be proportionate to the interest of the freeholder in the mine. All additions of subsequent imposition will clearly fall on the lessee, unless he can shift them to his customers. No general rule can be laid down as applicable to all mines, by which this preliminary question can be answered. The prices of some of the metals appears to be wholly regulated by foreign competition, and no portion of any taxation imposed on those who are mining for such metals at home can be shifted to the consumers. In the case of coal, the price is fixed with less regard to foreign competition. That part of our production which is exported is subject to such competition, but the much larger portion which is consumed in this country is sold at prices which show a considerable degree of elasticity. There is, moreover, nothing in the nature of a permanent monopoly, the supply being ordinarily ample and readily capable of expansion. The local taxation of coal mines being now fairly uniform throughout the kingdom, the circumstances lead to the conclusion that the greater part of it is successfully charged to the consumers, and that the lessors and lessees mostly go free.

Quarries.

Stone quarries, pits, and clay-fields, require comparatively little plant, and, being usually held for short terms, the conditions differ somewhat from those of mines. But the large slate quarries in North Wales, and, perhaps, some of the larger of the stone quarries, approximate more closely to coal mines in the matter of incidence. Foreign competition is not a factor to be seriously considered, and the nature of the products being mainly that of necessaries for which a continuous demand must arise, there seems to be no reason to doubt that the local taxation imposed on these subjects is mainly borne by the consumers.

Recapitulation.

To recapitulate briefly. We find that, as applied to agricultural land and tithes, the local rates are mainly in the nature of special taxation of these classes of property. Subject to the reservations set out, it may be broadly

stated that this taxation falls upon the owners; in the case of tithes, directly and immediately, and in that of agricultural land by reduction of the rent at each readjustment or reletting.

As applied to dwelling-houses, the local rates are a rough and ready form of income tax on the occupiers. All kinds of income are laid under contribution, no matter what their nature or amount may be. Such rates are in no real sense taxes on property at all. The fact that house-rent is taken as a measure of the occupier's ability to bear taxation must no longer be allowed to disguise the true character of the tax.

As applied to shops and other trade premises in towns, this taxation appears to possess a composite character. So far as the nature and circumstances of the trades are such as to permit of the addition of the tax to the prices of the goods made or sold, and the charges for work done, the rates will fall ultimately on the consumers. Where this cannot be done, the tax will fall either on the profits or the trader, upon the owner of the property, or partly on each. If the trader's profits are not abnormal, and he cannot add the tax, or the excess beyond a general average of such taxation, to the prices of his goods or work, the tax on some part of it would be likely to fall upon the property-owner, and, finally, upon the owner of the site.

Rates levied in respect of railways, canals, gasworks and waterworks, are mainly taxes on the profits. Those on coal mines may fall partly on the owners of the royalties and rents, but are chiefly a tax on the consumers of the coal. In the case of metalliferous mines, the incidence is much more largely on the royalty-owners. Rates on quarries, pits, and clay-fields fall mainly on the consumers of the products wrought, but, possibly, to some extent, on the freeholders also, as in the case of coal mines.

CHAPTER VI.

The Bases of Local Taxation.

THE examination of the question of the incidence of rates contained in the last chapter prepares us to approach the subject of the true bases of local taxation. It has become usual during the last twenty-five years to speak of local taxation as falling wholly upon one class of property, *viz.*, real estate ;[1] and a considerable capital has been made of the character thus given to it. But, if the foregoing analysis is, in the main, correct, our conclusion must be that the current opinion is erroneous, and that of several bases on which local taxation rests, real estate is by no means the principal.

Statistics of rating analysed.

We gather from Mr. Fowler's report of 1893 that the proportions of the total annual value of rated property borne by the several principal classes thereof, in certain years, were as follows :—

	1814	1843	1868	1890-91
Lands and tithes . .	69·28	49·10	33·20	19·24
Houses	27·84	41·44	47·27	56·35
Railways	——	2·82	11·11	14·02
Other property . . .	2·88	6·64	8·42	10·39

The amounts and proportions of the local rates borne by lands, houses, and other properties, in 1817, 1868, and 1891, were as

[1] Although the whole of the local rates of every kind were, throughout Mr. Goschen's report of 1870 (Parliamentary Paper No. 470 of 1870, reprinted as No. 201 of 1893), described and classed as "Taxes on Real Property," "Taxes falling on Real Property," or "Taxation borne by Real Property," it is right to state that he prefaced his statistics with a warning that these descriptions were misleading. He pointed out, on page 31, (1) that railways and canals are rated in respect of profits ; (2) that "it has been conclusively shown that a great proportion of the rates, especially in towns, does not fall upon the owner, but is paid by the occupier, *i.e.* the consumer of the houses"; and (3) that the terms referred to by no means meant that the rates were wholly "Taxes on the Owners of Real Property." Unfortunately, the writers and speakers who have quoted Mr. Goschen's figures have, almost without exception, ignored his warning, and have argued the question as though the whole burden of the rates were borne by what is legally and technically known as real estate. This disingenuous process is still going on.

follows, the differences in the percentages, when compared with those given above, being due to the relatively greater weight of the local taxation in urban areas than in rural districts : —

Year.	Rates borne by Lands and Tithes.		Rates borne by Houses and other Properties.	
	Amount.	Percentage.	Amount.	Percentage.
	£		£	
1817	6,730,000	66·66	3,370,000	33·33
1868 . . .	5,500,000	33·33	11,000,000	66·66
1891 . . .	4,260,000	15·31	23,560,000	84·69

How the rates are borne.

These figures enable us to form a sufficiently accurate judgment of the distribution of the burden of the rates in 1891. Following the lines laid down in the last chapter, the total of £27,820,000 should be apportioned approximately as follows :—

	On Real Property.		On Personal Property.		On Occupiers' Income.		On Consumers' Income.	
	Amount.	Per Cent.	Amount.	Per Cent.	Amount.	Per Cent.	Amount.	Per Cent.
	£		£		£		£	
Lands and tithes	4,260,000	15·31	—	—	—	—	—	—
Houses . . .	—	—	—	—	15,692,000	56·4	1,191,200	4·29
Railways . .	—	—	3,894,800	14·0	—	—	—	—
Other property	1,000,000	3·59	782,000	2·82	—	—	1,000,000	3·59
Total	5,260,000	18·90	4,676,800	16·82	15,692,000	56·4	2,191,200	7·88

In this calculation, the fraction of the local taxation of lands (which includes farmhouses) which falls on the occupiers has been set against the fraction of that of houses (which includes shops) which falls on the owners of the freehold interest. As railways and other property are not separated from houses in the second table, they have been taken at 14 per cent. and 10 per cent. respectively, to agree with the annual values in the first table. The extra weight of urban, as compared with rural, local taxation, falls

chiefly on the occupiers of houses; railways, canals, agricultural lands and tithes being exempt from three-fourths of the general district rate and some other urban rates. It will be seen that 56·4 per cent. of the total amount of rates is held to fall upon the occupiers of houses as a rough and ready income tax. In addition to this, a sum equal to 7·88 per cent., borne by the consumers of goods sold or produced in shops, mines, etc., mostly falls on those who bear the 56·4, *viz.*, the community at large. The latter, therefore, bear no less than 64·28 per cent. of the whole. Real property bears 18·90 per cent., and personal property 16·82. The latter percentage would be very considerably higher if it were permissible to regard the rates on mills, manufactories, breweries, public-houses, mines, quarries, and other trade premises owned and occupied by limited liability and joint-stock companies and by partnerships as really a tax on the rated properties. All such properties so held, and all leasehold interests, however held, are, like railways, tramways, canals, gasworks, and waterworks, personal property both for purposes of taxation and as regards its devolution at the death of the owner. This fact has usually been entirely overlooked or ignored by those writers and speakers who have compared the taxation of realty with that of personalty, and it is only necessary to draw attention to the point in order that the fallaciousness of their conclusions may be made manifest. An enormous mass of personal property is rated, and much of it very heavily rated, as explained in Chapter III. But, with the exception of railways, tramways, canals, gasworks, and waterworks, the bulk of the taxation thus imposed does not appear to remain upon the first payers, nor upon the property at all, but to be transferred to the community in the prices of the commodities produced or sold. This does not make it any the less a delusion to suppose that rates are taxes on real property alone. Whichever way the point under notice may be regarded, that idea remains equally untenable.

Rates on personal property.

But a still stronger reason for its final abandonment will exist when it is generally recognised that the rates on dwelling-houses are really income taxes on the

Rates largely a tax on income.

occupiers. This recognition is not likely to be long delayed. In a remarkable article in the *Quarterly Review* for January, 1894, in which the whole region of controversy regarding local taxation is surveyed from the point of view of the ground-landlord, the final incidence of dwelling-house rates upon the occupiers is, throughout, frankly stated. The writer says :—

"Quarterly Review" quoted.

"Rates are a personal payment, not a tax on things. They are levied on the inhabitants, but not upon the property. The individual is rated according to the annual value of his residence, his occupation rent, to pay for various things the community provide for his convenience, just as he pays his landlord for his house; and if he fails to pay, neither the residence nor the territorial proprietor becomes liable."

Further on he says :—

"Rates are but a transfer to a joint account of every occupant's expenditure; a wholesale instead of a retail transaction, and so, in fact, a great economy, not an increase of outlay, for the accommodation that each household may require."

These clear and unequivocal expressions, coming from such a source, are both a refreshing change from the assumptions and special pleading which have usually taken the place of argument in the advocacy of the case of the ground-landlord, and a sign that the true economic doctrine in relation to rates is already gaining acceptance in the quarter where self-interest and natural prejudice would be most calculated to retard its adoption.

When once the ground has been cleared by the acceptance of the true doctrines of incidence, their application to the existing facts is not difficult. First of all, we find that it is upon the householders of all classes in the metropolis and the large provincial towns that the weight of the modern increase of rates has fallen. The extent of that increase is partly revealed by the tables already given in this chapter, but

Modern increase of town rates.

will be still more clearly shown by the following official analysis of the total receipts from rates in certain years :—

	1868.	1880-81.	1891.
Purely urban . . .	£6,730,000	£12,225,000	£17,513,000
Partly urban and partly rural	8,357,000	8,748,000	8,196,000
Purely rural	1,415,000	1,933,000	2,108,000
Totals . .	£16,503,437	£22,907,790	£27,818,642

The increase in the rateable value has partly counterbalanced the increased charge ; and there has been a reduction of the average rate in the £ on the rateable value in the rural districts from 2s. 7½d. in 1868, to 2s. 3d. in 1890-1. In London the increase in the same period was from 4s. 4½d. to 5s. ; but that for the extra-metropolitan urban districts cannot be stated. In 1890-1 the figures for such districts were :—

	s.	d.
County boroughs	4	6½
Non-county boroughs	4	4½
Other urban districts	3	11

The corresponding figures for 1868 are not recorded, but it is probable, from a comparison of rates and rateable values, that the increase has been greater in proportion than in the metropolis.

The permanent features of the system are of even deeper importance. On the one hand, we find that the owners of agricultural land and tithes pay twice. First, as occupiers of dwelling-houses, and secondly, as owners of particular forms of property. To this latter feature we shall shortly return. At the other end, we find the labouring and artisan population of our towns contributing an exceptionally large proportion of taxation, owing to the necessity under which they live of spending from one-third to one-eighth of their incomes in house-rent and rates combined—a proportion far in excess of that similarly spent by the more affluent classes. It will be seen that this conclusion is destructive of a widely-spread opinion that the "working-classes" pay no direct taxes, and of

Heavy taxation of the poor in towns.

the consequential impression that to repeal the breakfast-table duties would leave the "working-class" abstainer from alcohol and tobacco free from taxation of every kind. Instead of escaping all direct taxation, it would appear that the poorer classes in England are paying far too much. Professor Seligman, one of the foremost living authorities on taxation, refers to the present mode of levying local taxes as the great blot on the English fiscal system. He says :—

"Even in England, where so many reforms have been made in the national revenue, the whole system of local taxation, with its absence of special assessments (*i.e.*, for betterment), its exemption of non-productive realty or land held for speculative purposes, and its imposition in the first instance on the occupier, means the relative overburdening of the poorer classes."

The plan of proportioning the share of taxation which a person should pay to the rental value of his dwelling has much to recommend it, and the commendation bestowed upon it by Mill has frequently been quoted. But in the national Inhabited House Duty, the full rigour of the plan has been greatly mitigated. Houses of less than £20 rental value are free of tax, and those ranging from £20 to £60 are taxed at reduced rates. Shops pure and simple are exempt, and those to which dwelling-houses are attached are charged at rates one-third lower than those applicable to private houses. It is thus rarely paid by the poor, and the payments of the lower middle class are somewhat eased. The consequences of the taxation of trade premises are, likewise, minimized, if not wholly avoided. No such mitigation has been attempted in the case of the local rates, and, owing to causes already referred to, they have fallen with especial and increasing severity upon the poorer classes. But, in addition to the general causes which make the rental values of dwelling-houses an unsatisfactory criterion of ability to bear taxation, there are special reasons for the wide-spread dissatisfaction which has arisen in recent years with regard to urban rates.

Inhabited house duty compared.

The expenditure of the local authorities in lighting and paving

the streets, sewerage and sewage disposal, and analogous matters, whilst adding to the comfort and convenience of the occupiers of the adjacent houses, at the same time directly benefits the property-owners by raising the letting and selling-values of the land and houses. The occupiers are first required to pay rates for the performance of these duties, and then to pay a second time in the shape of increased rent. This injustice affects the occupiers and owners of the whole of a town in a relatively equal degree, and has given rise to a demand for the division of the rates between these classes. A similar injustice to the occupier arises in the case of public expenditure on street improvements and such works as the London Thames Embankments; on the purchase of the older Thames bridges and the erection of new ones; and on the purchase and maintenance of public parks and open spaces. But here the benefit to the owners of adjacent properties is much greater and more direct than that derived by the owners of properties further removed, and the proposals for remedying the injustice include the special taxation of the former in consideration of the "betterment" of their estates.

Special aggravations.

These propositions have been the subjects of much controversy, as has also one for the taxation of urban ground-values. Much public interest has been aroused in all these questions, and, as they are of considerable importance from an economic point of view, a separate chapter will be devoted to each.

In the British Islands, the local taxation of householders has been, for over three centuries, coupled with taxes on agricultural land and tithes; and, by degrees, such cognate subjects as mines, quarries, canals, and railways were added as they came into existence. It is admitted that so far as they ultimately fall upon the properties rated, these taxes are special imposts or reservations; the owners being presumed to bear their fair share of taxation as citizens and householders in addition. This apparent selection of certain descriptions of property for the support of public burdens has been strongly assailed as invidious and unjust, and the matter is one which demands and deserves careful examination.

Special taxation of agricultural land.

Its nature.

If the case were one of newly imposing a considerable weight of taxation on land, over and above the aggregate of previous times, and unaccompanied by corresponding taxes on other property, it would be necessary to show that land had been unduly favoured, and that its continued enjoyment of a special immunity involved the injury of other interests. But no such necessity exists here. The special taxation of land in England has seldom, if ever, been lighter than it is at the present time. Absolute ownership of land has never existed in England. All through the centuries the reservations in favour of the State have been practically continuous in their operation. That the form taken by the composition or commutation has varied from time to time is not material. The important point is that English land has never been free from special and peculiar obligations to the State, and that at no time during the present century have those obligations been less onerous than at the present time.

Decrease of rural rates.

It has been already stated in this chapter that the average local taxation in rural districts fell from 2s. 7½d. in the £ in 1868 to 2s. 3d. in 1890-1; and Mr. Fowler states in his report of 1893 that "at no period in the present century, for which statistics are available for the purposes of comparison, has the rate in the pound of the rural rates been as low as it was in 1890 and 1891 in the great majority of the counties of England and Wales; and that the counties in which the fall in the rate in the pound has been the greatest have, generally speaking, been the agricultural counties." This portion of Mr. Fowler's report has been subjected to very keen criticism, and his use of the term "hereditary burdens" as applied to rates has been strongly objected to.[1] The inquiry is made why the term should not be applied to the taxes on consols, mortgages, and securities also, but an unprejudiced person will see at least two very obvious answers. Firstly, the State has never had a proprietory interest in these forms of property; and,

Hereditary burdens.

[1] See *ante*, p. 35. This expression was applied by Mr. Goschen to the poor rate in his Report of 1870, p. 41.

secondly, they have long been bought and sold free from all liability to bear special and peculiar taxation. To make them liable to such taxation upon equal terms with land would subject the present owners to the immediate loss of a considerable portion of the capital invested in them. This is a very different thing to the maintenance of an obligation of old standing.

It has been shown in Chapter V. that the special taxation of land in the shape of rates, so far as it is old standing, does not fall on the present owners, but is largely in the nature of a rent-charge reserved by the State. It has also been repeatedly pointed out by Dr. Giffen and others that to relieve the land of its existing charge for local taxation would be to make a present to the owners of the capitalised value of the sum remitted. There seems to be no reason why the holders of consols or any other section of the community, or even the nation as a whole, should be called upon to submit to new and special taxation in order that a sum of £100,000,000 may be presented as a free gift to the landowners of the country.

Effect of modern rates on land.

But, say the spokesmen of this class, surely we should be allowed to retain the advantage gained by the more economical administration of the poor laws and the abolition of church rates, without being required to contribute to new rates for elementary education and sanitary purposes? This claim is more plausible than the larger one for relief from all special taxation, but it will not bear examination. In the first place, the larger portion of the cost of elementary education is already met by the general taxation of the country, and only so much as represents the varying needs of particular localities is raised locally. If this latter portion is rightly treated as a local charge, it is clear that it must, in rural districts, fall mainly on the land, there being little else to bear it. But may it not be urged that the nature of this charge is sufficiently related to that for the relief of the poor to justify the imposition of a portion of it on the same subjects? Is not the saving in poor rates partly due to the recognition of the public duty in the matter of education? Whether this be so or not, the relief afforded by

the grants from the national treasury, and by the allocated taxes, described in Chapter IV. and set out in Tables IX. and XIX., far more than counterbalances the extra local charges on land for education and sanitation. Should it be decided at any future time to cast the balance of the cost of elementary education on the national exchequer, the change should be accompanied by the revocation of the probate duty grant or that out of the beer and spirit duties. The charge on land for sanitary purposes (chiefly the provision of water supplies) is much more than covered by the gain resulting from the nationalisation of the prisons, but it is a very proper charge on the real property-owners in any case.

Compensated by modern grants-in-aid.

The depression of the agricultural industry has been and is still urgently pleaded as a reason for giving further relief to those affected by it at the present time. The gravity of the position of the farmers is indisputable, and will be further referred to in the next chapter when dealing with the subject of a division of the rates between occupiers and owners. But we must not allow our sympathy for either of these classes to overbalance our judgment. There are two reasons which, if there were no others, would suffice to bar this claim. In the first place, the plea of depression in any of the industries of the country has never been admitted as a ground for a remission of the obligation to pay rates. Its admission could not be restricted to agriculture, and would be followed by a rush of clamorous applicants from all quarters. Each fresh remission would only serve to render the burden on the less favoured sections and industries more intolerable, and to make the whole system unworkable. But the second objection is even more serious. No one who has closely studied the subject can fail to see that the final and inevitable result of the fall in the prices of agricultural produce must be, if the fall proves to be a permanent one, a heavy reduction in rents. In many districts this fall has hardly yet begun, and in many others it is not yet complete. Any permanent transfer of local burdens from the land could only serve to delay or arrest this economic process, and would afford no real benefit to the tenant-farmers. [1] The relief

[1] See *ante*, pp. 40-42.

would undoubtedly be a very real one to the landowners; but, as we have already seen, it would be a free gift of the property of the nation to a single class, the members of which are not in a condition of general or extreme distress.

Even without any further extension of the grants from the national exchequer, the rates payable in respect of agricultural land will be appreciably diminished, in all those unions and districts which contain any considerable amount of property of other kinds, as the result of the fall in farm rents. Rateable value follows rent, and, to some extent at least, the charge for rates will follow also.

It has been frequently stated that the poor rate was for a considerable period levied as a tax on real and personal property alike. This statement is, however, an erroneous one. Personal property is not mentioned in the Act of Elizabeth, and was never brought *generally* within the scope of its operations by the practice of the poor law officials or the decisions of the judges. It was not, indeed, until 150 years after the passing of the Statute of 1601 that the liability of inhabitants to be rated for personal property was agitated in the courts of law. The later decisions established the liability of *inhabitants* to assessment for poor rates in respect of such personalty as complied with the conditions of being local, visible, and profitable; which, clearly, was a wholly different thing from taxing personal property in general. The effect of these decisions was that stock-in-trade was rated in the clothing districts of the south and west of England (very greatly to the detriment of those districts), and a few other places, until the Act of 1840 (3 and 4 Vic., cap. 89) abolished the practice. This enactment also prohibited ratings based on the profits derived from the ownership of property; reserving, however, the then existing liabilities of vicars, parsons, and occupiers under the Act of 1601.

Rating of stock-in-trade under Act of 1601.

Whilst there appear to be no adequate grounds either of policy or abstract justice to warrant the imposition of any additional taxation on personal property in order to lighten the existing local taxation of land, it is

Proposed taxation of personal property considered.

not equally certain that further taxation of invisible personalty would not be permissible on both of these grounds in relief of the poorer classes of urban ratepayers, if a satisfactory method of levying and applying it could be devised. But although the utmost ingenuity has been displayed in the effort to solve the problem, no tolerable scheme has yet been propounded. It must not be forgotten that much visible personalty is already bearing a full share of local taxation, and should not be again taxed for the same purposes.

General Property Tax in U.S.A.

Some English writers have pointed to the General Property Tax in the United States as a model for the purpose. But this suggestion betrays an utter ignorance of the subject. That tax is a disastrous and universally-admitted failure, having been found ineffectual to reach more than a contemptible fraction of the personal property it was specially designed to bring under contribution. It has, moreover, led to the general practice of open and notorious lying and false swearing. One official commission appointed to deal with the subject has described the tax as "debauching to the conscience, and subversive of the public morals; a school for perjury, promoted by law." Professor Seligman describes it as "beyond all peradventure the worst tax known in the civilised world." Other writers have strongly recommended the use of the income tax for raising local funds. The method of adding to the national income tax so much in the pound in each locality as is required for local purposes is in operation in Germany and Switzerland, but its adoption in England is rendered extremely inadvisable, if not absolutely impracticable, owing to the very large extent to which the British income tax is de-localised. This tax is almost wholly assessed and levied in London and the chief cities in respect of (1) interest on the national debt and foreign and colonial loans; (2) the profits and interest of home and foreign railways, canals, banks, insurance companies, and many other widely ramifying concerns; and (3) the salaries and pensions of the officers of the army, navy, and civil service. The provisions under which this is effected are the most perfect and

Local additions to the income tax.

most scientific portion of the income tax machinery, and the result of a long process of evolution. This process is only beginning in Germany and Switzerland, and its completion in those countries will inevitably de-localise their income taxes also, and render them unfit instruments for raising local revenues.[1] The old Scottish plan of taxing according to "means and substance" will be referred to in Part II.

Grants-in-aid.

There remains also the alternative of still further extending the grants from the national taxes, or casting a still larger portion of the local expenses upon the national exchequer. This plan has been already discussed in Chapter IV., and is referred to earlier in the present chapter. Besides weakening the inducements to economy, and the safeguards against jobbery, it would have the effect, if applied to local expenses which now fall alike on rural land and urban householders, of attenuating still farther the already too scanty remnant of public advantage derived from the land. These drawbacks would outweigh any relief which the poorer classes could obtain from any possible extension of the system.

Rating system should be reformed.

The more the subject is examined the more patent it becomes that the rating system must continue to be the chief means of raising the taxation needed for local government and administration. But the reform of that system is rendered doubly urgent and imperative if this conclusion is well founded. Much of the excessive pressure of the rates on the poor and the lower middle class is due to the unjust exemption which the owners of urban ground-values now enjoy. It is also aggravated by the excessive costliness of every kind of improvement work which brings the public authority into contact with this highly privileged and carefully protected class. The chief suggestions for remedying these serious defects will be considered in the next three chapters.

[1] Prof. Bastable (*Economic Journal*, vol. 3, pp. 259-260) gives other reasons which also enforce this view, and shows that land and buildings are the fittest, if not the only fit, subjects for local taxation. See also his *Public Finance*, pp. 368, 403, and 424.

CHAPTER VII.

Division of Rates between Occupiers and Owners.

The division of the rates, or some of them, between occupiers and owners would involve no new departure in British fiscal legislation. For many years past the plan has been in operation in both Scotland and Ireland, and has, so far as it has been applied, given general satisfaction as a fair and equitable arrangement. Table XV. of the Appendix shows that in Scotland the rates for general county purposes are almost wholly borne by the owners, and that the bulk of the special town rates are charged to the occupiers. The poor rates and school rates, in town and country alike, are equally divided; and the rates for roads and bridges nearly so, the owners bearing rather the larger share. The rates for ecclesiastical purposes and district fishery boards are wholly charged to the owners. In Ireland the poor rate is equally divided in both town and country, and all other rates on agricultural and pastoral holdings are similarly apportioned. The equal division of the remaining town rates in Ireland was recommended by Sir M. Hicks Beach's Committee in 1878, but has not been carried into effect. The equal division of all rates in England and Wales has been recommended by Mr. Goschen's Committee in 1870, and by the Town Holdings Committee in 1892, but here also nothing has been done by the legislature to carry their proposals into practice. Each of these committees strongly urged that the owners who were thus to be made ratepayers in a more direct fashion than before should be allowed an enlarged representation on the local governing bodies, in pursuance of the principle that taxation and representation should go together.

Division of rates in Scotland

and in Ireland.

Recommended for England by select committees.

The case for a division of the rates levied in respect of agricultural land has not usually been distinguished from that of the rates payable by the occupiers of dwelling-houses in towns. The argument most relied on was that, since the real incidence of rates is, both in town and country, largely upon the owner, it is eminently desirable that the apparent incidence should be made to correspond. This would, it was urged, remove the doubts and dissatisfaction which inevitably arise when the adjustment of taxation is determined by an unseen process, and that process is one liable to disturbance and arrest. Were the occupier empowered to deduct one-half of the rates from the rent, he would be assured that the process was, to that extent, pursuing its proper course; whilst the owner would rarely, if ever, suffer any real loss. We have seen in Chapter V. that this argument is not properly applicable to rates levied in respect of dwelling-houses. But its force as regards rates on rural land is greater and more obvious at the present time than it has ever been before. The dislocation of the whole fabric of agricultural economy caused by the recent, and apparently permanent, fall in the prices of agricultural produce has unquestionably arrested the process by which the rates become, in normal circumstances, a charge upon the property. It will probably take ten years longer to complete the readjustment of agricultural rents to the altered level of recent and present prices, supposing this level to prove substantially permanent, and it is, therefore, in the highest degree desirable that the tenant-farmers of England and Wales should, without further loss of time, be enabled to share with those of Scotland and Ireland the advantages of an equal division of rates.

Grounds of recommendation.

An examination of Table VIII. will show that about two-fifths of the entire sum raised by rates in England and Wales are expended in poor relief and elementary education. If to these be added the further expenditure out of the rates on lunatic asylums, hospitals, public health and vaccination, the proportion will be raised to about one-half of the whole. These expenses, to which that for police should perhaps be added,

Other grounds.

are incurred in the discharge of moral obligations and public duties, and a considerable portion of the cost is borne by the general taxation of the country. It follows, therefore, that the local taxation needed to defray the balance of the cost should be imposed as nearly as possible in conformity with the principles which regulate the distribution of the burden of the national taxes. Without entering into a dissertation upon those principles, it may be broadly stated that the effect of their application to local taxation would be to exonerate the great majority of the present ratepayers from liability to contribute. The luxurious expenditure of the poorer classes is already taxed for local purposes through the medium of the license duties and the beer and spirit duties; and such other taxation as was necessary would mainly fall on property of all kinds, and on the larger incomes derived from business and the professions. An equal division of the rates referred to between the occupiers and the owners of the rated properties would not accomplish all this, but it would go a long way in the right direction. It would, if made effectual, afford a substantial measure of relief to the poorer ratepayers, and would bring under contribution a great mass of urban property which at present is escaping a large portion of its due share of local taxation. The rates for highways in rural districts (apart from main roads, the cost of which is now borne by the national taxes) are a fair charge upon the estates opened up by them. The property would be practically valueless without them.

Grounds specially applicable to urban areas.

Let us now turn to that portion of the expenditure out of the rates in respect of which the measure of benefit may be held to form the proper basis of apportionment. And here it is necessary to point out that, whilst the preceding portion of this chapter has had a general application to the whole country, the rates which we are about to discuss are almost wholly confined to urban areas, and reach their greatest weight and importance in the metropolis and the larger provincial towns. It is needful also to remember that they are a charge which falls very largely upon the occupiers of dwelling-houses, in addition to the rates for purposes common to both

town and country which we have just considered. A further reference to Tables V., VII., and VIII. will make clear the fact that, after allowing for the receipts of profitable undertakings and from the national taxes, the chief items of local expenditure in this division are those for paving, cleansing, and lighting the streets, sewerage and sewage disposal, water supply for public purposes and public improvements.

Capital expenditure out of rates.

Tables VII. and X. show that a very large proportion of the expenditure for these purposes takes the form of payments in respect of principal and interest of loans, or, in other words, of capital outlay. It has long been regarded as a flagrant injustice, that a single generation of occupiers should not only bear the whole charge for interest, but that also for repayment of principal; whilst the property-owners, who alone are permanently benefited by the outlay, escape scot-free. There can, we think, be no serious difference of opinion that the repayment of principal should be a charge on the owners in all cases where the expenditure effects substantial improvements of their estates, or is needed to render those estates fit for the habitation of civilized communities. A large part of the charge for interest should follow the like rule, and for the same reasons. But in addition to the reasons applicable to capital outlay, there is a strong case for a division of many of the rates necessary for maintenance and administration. Amongst the items in which the benefit to the owners is clearly apparent are those for paving and lighting the streets. This expenditure not only increases the comfort of the occupiers of the houses, but also raises the letting and selling-values of the adjacent land and buildings. Under the existing system, the tenants are twice taxed for these developments of civilization; first to meet the outlay of the public authority, and secondly in extra rent. The rents they pay are, in fact, raised to and maintained at a higher level by their own outlay. Sewerage and sewage disposal are, like the paving of the streets, the continuation of a work, the first cost of which is recognised as a proper charge on the owners. It would appear reasonable that some

Rates for maintenance and administration.

portion of the cost of completing and maintaining this work should also be borne by them. There can be no doubt that the efficient public performance of works of the kinds referred to directly and substantially enhances the value of the property in the area served; and it is hardly disputable that the discontinuance of the services thus rendered would most seriously diminish the value of this property. In lesser degree the same observations hold good in regard to municipal outlay on water supplies for public purposes. There are, indeed, some few local Acts in force in England which charge the cost of the supply of water for sanitary purposes, extinction of fires and public uses generally, directly upon the owners. A few other local Acts authorise tenants to deduct from their rents a proportion of the rates paid for sanitary purposes and improvements. In Newcastle-on-Tyne, one-fourth may be so recovered.

Improvements.

The cases of street improvements, the building, freeing, and maintaining of bridges, and such works as the Thames Embankment, afford still more striking illustrations of the injustice inflicted upon the tenant-occupier by the present general presumption of his liability to pay all rates. In these cases the gain to property is often enormous, although not uniformly distributed. So long as the owners who reap this benefit are permitted to escape contributions of the kind known in England as "betterment" charges (to which further reference will be made subsequently), it is obviously less unjust that all the owners within the same municipal area should bear a share of the cost than that the whole should remain a charge on the occupiers. If the gain of the owners of the more distant properties is inappreciable, so also is the gain to the occupiers of the same premises.

The rates to defray the cost of protecting life and property by the police forces and fire brigades may be regarded as partly in the nature of payments for services rendered, and are obviously such as to call for division. The outlay on parks, museums, libraries, and baths, although primarily for the benefit of the occupiers, also inures, to some extent, to the advantage of the owners.

There remain some minor items of local expenditure which are mainly or wholly beneficial to the occupiers, so far as they are directly beneficial at all. These include burial-grounds, refuse removal and disposal, registration of voters, jury lists, and, perhaps, a few other matters; but their cost is comparatively small, and does not seriously affect the result. Alike in the cases of rates leviable upon the basis of tax-paying ability and of those to which the standard of benefit is applicable, we are forced to the conclusion that a division of the burden between owners and occupiers is needed. And with regard to the proportions, the equal division so frequently suggested appears to be recommended not merely by its simplicity, but also by the far more important consideration of its broad approximation to the measure demanded by justice and enlightened public policy.

Case of leased property considered.

In the foregoing portion of this chapter, the owners of real property in towns have been referred to as a single class, in contradistinction to the occupiers, who have likewise been spoken of as a whole. Now, the chief difficulty in obtaining a settlement of the question under discussion has arisen from the facts that much of the town property in England is held on leasehold tenure, and that the assumed solidarity of ownership does not universally or even generally exist. In a smaller degree, the fact that tenants not infrequently hold leases for terms of years has been allowed to complicate the case still further. No doubt it is important to the owners of the several interests which so often co-exist in a single property that their respective liabilities under any new arrangement shall be defined as clearly as possible. But the main question is the relief of the occupiers, and it is manifestly unjust and irrational to deny to the latter class the relief to which they have proved their title, because the share of the burden to be transferred cannot be apportioned with mathematical precision amongst the ownership interests. The vast majority of urban occupiers hold under weekly, quarterly, and yearly tenancies, and it is not their business to inquire by what tenure their immediate landlords hold the properties. Clearly the relations of

landlord and tenant in all matters of taxation should be those which would most fitly prevail if the tenure were universally of a simple freehold nature.

Application to existing contracts.

A fictitious importance has been attached to the question of the propriety of overriding existing contracts, and its true relation to the main question has also been obscured, by the failure to discriminate between tenancy agreements, pure and simple, and the agreements or contracts which exist between the owners of leasehold property and the ground-landlords. With these latter contracts the vast majority of tenant-occupiers have no concern. They are not parties to them, are not bound by them, and should not be prejudiced by them. Their existence forms no valid bar to the relief of the occupiers by measures which are found to be just and politic when considered on their merits. Whether a yearly tenant formally contracts to pay the rates or not is absolutely immaterial. He has, at present, no option but to pay them, contract or no contract. The landlord is not liable in either case. Where a yearly tenancy agreement requires the occupier to pay the rates, it makes no transfer of obligation, but simply recites his general liability. His title to the full deduction cannot be assailed on the strength of a mere quibble about meaningless words. He should not be compelled to give notice to quit in order to obtain the benefit of the division. But are those occupiers who hold under leases for terms of years to be placed upon a footing of equality with yearly tenants? The answer must be governed by the length of the term. Experience has proved that tenancies for terms not longer than seven years are usually entered into without the contemplation of improvements by the tenant, or considerations other than those usually prevailing in yearly tenancies. When the term exceeds seven years this is not so. A capital expenditure by the tenant is usually contemplated, even if not stipulated, and he frequently becomes the holder of a quasi-proprietorial interest. Our suggestion would, therefore, be that tenants for terms not exceeding a duration of seven years should be permitted the same privilege of deduction as yearly tenants. Holders for terms

exceeding seven, but not exceeding twenty-one, years should be permitted to deduct one quarter of the rates in existence when the lease was granted, and one half of those newly imposed after the commencement of their tenancies. Tenancies for terms exceeding twenty-one years should be treated, as in Scotland, as equal to occupation by the owner of the building. Future contracts to set aside the right of deduction should be declared invalid, as in the case of the income tax.

Future contracts.

CHAPTER VIII.

The Taxation of Ground-Values.

THIS question is partly a continuation of that discussed in the last chapter and partly a distinct one. If the division of the rates between the occupier and the immediate owner is held to be desirable, the further and ultimate distribution of the owner's half at once demands consideration. Economic theory teaches us that a special tax imposed on building-owners will be thrown back upon the occupiers. Unless specially empowered by statute, the building-owner has no power to transfer it to the ground-owner; and as the erection of buildings would cease if taxation rendered them unprofitable, the rents would quickly rise to an extent sufficient to cover the tax. A tax on building-owners' profits, which was part of a general income tax, would not, however, have this effect. Thus, if the cost of poor relief or elementary education were thrown wholly upon the national exchequer, and defrayed by means of an addition to the existing income tax, the owners of houses (who are really dealers in a commodity) would contribute to the cost on equal terms with other traders and the rest of the community. The rating system cannot by any practicable adjustment be made to secure the like result. Its limitations should be frankly recognised, and it cannot be too clearly understood that it offers us no means of relieving the urban householder from his present burden of rates to any substantial extent, except by the effective taxation of the owners of ground-values. By this is meant, of course, not merely the owners of ground-rents, chief-rents and (in Scotland) feu-duties. The ground-value may be partly in the hands of the building-owner, or even in those of the tenant, if he holds a lease for a term of years. But, whoever he is, he becomes a potential subject of effectual taxation under the rating system as soon as he acquires a beneficial interest

Effect of special tax on buildings.

Tax on ground-value cannot be shifted.

in urban land. The owners of freehold buildings are necessarily owners of the entire ground-value of the sites.

The position, then, appears to be such that unless the building-owner is, in his turn, invested with a very ample power of deduction, the quota of the rates deducted from him by the occupier may be thrown back upon the latter. Let us take the case of a new house, and assume that the ground-rent payable under a ninety-nine years' lease is the entire amount of the ground-value. Let us further assume, by way of illustration, that the rent is £60 and the ground-rent £10; and that the rates amount altogether to £10 a year. If the occupier is to be effectually relieved of one-half of the latter payment by deducting it from his rent of £60, the building-owner must be empowered to deduct the £5 from the ground-rent, thus cutting the latter down from £10 to £5 at one stroke. This seems to be an enormous proportion at first sight. Any taxation pure and simple upon such a scale is clearly out of the question. A closer inspection will, however, show that it is not taxation in the ordinary sense at all. Economists have frequently been puzzled to account for the magnitude of the jump in value which always attends the conversion of agricultural land into building-plots. The extension of a large town (we are taking a typical urban case in the above illustration) each year involves the absorption of a certain number of fields, the rental of which, when leased for building, at once jumps up to twenty, twenty-five, or even thirty times its previous figure. If the owner of the land lays it out himself, by making the roads, etc., he will secure a proportionately higher return. But many land-owners prefer to leave the builders or speculators to do this, and are yet able to secure a rental twenty times greater than before, practically without extra cost to themselves. This increase is partly the natural result of the superior utility, previously dormant or potential but now realised. But, in part, it is due to the realisation by the land-owner of so much of the whole mass of acquired value created by the successive generations of inhabitants and rulers of the adjacent town as is proportionate to the extent and

Illustration.

Unearned increment.

proximity of his land so utilised. In part, also, it is due to the advantage given to him, in anticipation, by the laws which cast the expense of maintaining that part of his estate, which is built upon, in a condition to perpetuate its highest utilisation upon the townspeople who have endowed it with a heritage of the greatest value. If the rulers of the town had the legal power to treat with the land-owner on equal terms, and to bargain with him for the use by the occupiers of his land of everything created by the townspeople acting as an organised society, and for the maintenance in the future of such of the advantages thus conveyed as involve continuous or recurrent expense, there can be no reasonable doubt that the land-owner would be glad to compound for the enfranchisement of his land by the payment of one-half of the enhanced rental to the town. We know that, in practice, it is not possible or desirable to restrict the enjoyment of the created advantages of a town to a privileged body of holders of franchises. But it is perfectly just that the rulers of the town should possess powers of exacting such a composition from the owners of the enfranchised land as would be readily obtainable in a bargain made by parties treating on equal terms. Thus regarded, the deduction of £5 from a ground-rent of £10 in the hypothetical case taken as an illustration is not so unreasonable as it appeared at the outset to be. The ground-landlord would still enjoy a rental ten times as large as that which he has hitherto obtained for the plot.

Maintenance of estate at public cost.

Owners should pay a composition.

But the case for deduction has here been purposely put in its most extreme and least favourable form. In a large proportion of cases, the leaseholder is found by actual experience to be in the enjoyment of a substantial addition of value which has accrued since the lease was executed. To this extent he is, therefore, the person to be taxed, and it would be unjust to give him the power to deduct from the ground-rent all that has been deducted by a yearly tenant out of the rack-rent. But since it is impossible to adjust the tax to the gradations of increase in the ground-value without a special site valuation, it

Modified proposals.

would appear to be necessary either to value every site, or to limit the leaseholder's right of deduction to, at the most, one-half of what he has himself paid. The latter course would, in the case of an equal division between the occupier and the owner, leave the occupier to bear a half of the entire amount, the leaseholder a quarter, and the ground-landlord the remaining quarter.

Case of perpetual chief-rents.

It has often been suggested that the holder of a perpetual chief-rent or of a ground-rent arising under a 999 years' lease is entitled to escape local taxation altogether, inasmuch as improvements and good government cannot yield him any benefit. It is obvious that the position of such a person is widely different from that of the owner of a site let on a 99 years' lease with reversion. The latter is frequently able to secure a second or an enlarged ground-rent long in advance of the expiry of the lease by the renewal of the lease for a further term. But even the chief-rent owner is not entitled to total exemption, the municipality being entitled to a composition for enfranchisement as explained above. He, like every other person of taxable ability, should also pay his full share towards the cost of poor relief, education, etc. And so, indeed, he inevitably would, were these expenses met by local additions to the income tax or out of the general taxation of the country. A point is sometimes sought to be made by suggesting that the land-owner could escape the tax by selling the land outright and investing in the funds. But this is a mistake. When once a scale of deductions had been fixed, it would be taken into account in the price paid. The seller would get so much less for his land as the deduction would amount to when capitalised.

Site valuation and tax.

Some of the advocates of the taxation of ground-values have urged the advantage of a separate valuation of building-sites and a more direct assessment of their owners. If feasible, this plan would possess an undoubted superiority in fixing the tax at the outset upon the persons who are ultimately to bear it. A tax on land, imposed upon and made payable by the owner, cannot be shifted to anyone else. The operations of such a tax are therefore attended with a degree

of certainty in regard to its incidence which is not equally attained by a tax of any other kind. But the question of feasibility is not wholly free from doubt. The only method by which the plan could be made effective is that of a separate valuation of each site, apart from the buildings. Such a valuation could not be made, as the existing valuations for both local and imperial taxation are now made, mainly upon the basis of ascertained rent or probable letting value. Ground-rents in the metropolis and larger provincial towns rarely represent the full annual value of the sites for any length of time after their amount has been fixed. But the ratio of the augmentation of value where it arises is extremely variable, and can only be determined by expert valuers, proceeding on the lines usual in cases of purchase and sale. The existence of buildings is a complicating element, and the valuation ultimately obtained must be somewhat hypothetical. Appeals against the official valuations of sites could only be carried through by the aid of expert witnesses, and would involve the appellant in considerable expense.

Difficulties to be overcome.

In a report issued in June, 1889, a committee of the London County Council, specially appointed to consider this question, recommended the adoption of this method. They were, however, of opinion that, in order to permit of the due taxation of all the persons who might possess interests in the site, it was desirable to adopt the plan of collection from the occupier, with power of deduction from rent and ground-rent. In November, 1893, a standing committee of the same council, called the Local Government and Taxation Committee, endorsed these recommendations and issued a series of examples showing how the scheme would work. In the latter report it was expressly stated that a special "site-value rate" was in contemplation, such a tax being considered preferable to a division of the existing rates in proportion to the values of site and buildings respectively. This preference is well founded. The proportion which the annual value of the site bears to the annual value of the entire holding in no way corresponds to the proportion of the rates (or of any one or more of them) which the owner or owners should be

Plan of London County Council.

called upon to bear. Whether measured by obligation or benefit, the latter proportion will have no necessary relation to the former one. The suggestion for such a division can only be the outcome of a confusion of ideas. Its adoption would have the effect of leaving most of the occupiers to bear from four-fifths to six-sevenths of their present burden instead of one-half, as recommended by the Parliamentary committees, and as already largely prevails in Scotland and Ireland. The rules and machinery proposed by the London County Council for collecting and apportioning the site-value rate are unavoidably somewhat complex, but they appear, from the examples given, to be such as would distribute the tax amongst the persons possessing interests in the site with tolerable fairness, when once an approximately accurate assessment has been secured.

It would be idle to attempt to disguise or deny the difficulty of adjusting the local taxation of ground-values to all the varying phases and degrees of ownership which have come into existence in this country. But the difficulties are not insuperable, and the need for reform is urgent. The writer in the *Quarterly Review* already quoted, dealing with the position a year ago, said :—

Urgent need for legislation.

"It is quite evident that an expenditure of vast amount is needed for the benefit of those who live in London. Twenty millions sterling, at the least, are wanted for immediate expenditure ; and the members of the London County Council have to find how current interest and the gradual repayment of this heavy sum can be provided for."

The need is almost as great in all the larger towns, and the problem to be solved is the same. When it is remembered how hardly the rates fall upon the poorer classes at present, the monstrous injustice of attempting to exact more from them, or even of deferring the grant of relief from existing burdens, will be

apparent. If the duty of preparing a scheme, which should be at once effective and substantially just, were cast upon a small commission such as that appointed to devise a scheme for the unification of local government in London (the necessity for a substantial measure of relief being affirmed in the instructions), the work could and would be quickly done.

Suggestion.

One word more as to existing contracts. These, as between the lessor and lessee of a building-plot, should not be allowed to interpose any barrier to the deduction of such a proportion of the rates as may be found to be otherwise fair and just; nor to the imposition of any entirely new tax on ground-values which the circumstances may require. The legal presumption of the occupier's liability, being found to coincide with the real incidence, reduces the taxation clauses in agreements for leasing building-plots to mere verbal lumber, having no effect as between the contracting parties. It is absurd to suppose that the hands of the legislature should be tied for all time by clauses in private agreements which had, when framed, no actual operative meaning, and which, so far as they related to the future, were an invasion of the domain of the legislature.

Existing leases and contracts.

CHAPTER IX.

Betterment.

This word has, in England, come into general use as the designation of a principle of taxation which has, for more than two centuries, had no regular operation in the British Islands. A Select Committee of the House of Lords, specially appointed in 1894 to consider the subject, has defined betterment as, "in other words, the principle that persons whose property has clearly been increased in market value by an improvement effected by local authorities, should specially contribute to the cost of the improvement." This principle was embodied in legislation in England in an Act of 1662 for the widening and enlargement of certain streets in Westminster. After providing for voluntary contributions to the cost of the improvements, the Act proceeds :—

Definition.

Act of 1662.

"In case of a refusall or incapacity of the owners or occupiers to agree and compound with the Commissioners for the same, thereupon a jury shall and may be empannelled in manner and form aforesaid to judge and assess upon the owners and occupiers of such houses, such competent sum or sums of money or annual rent, in consideration of such improvement and renovation as in reason and good conscience they shall judge and think fit."

The ground of charge was stated in the Act to be the fact that the houses in question would "receive much advantage in the value of their rents, by the liberty of ayr, and free recourse for trade and other conveniencies by such enlargement."

In 1667 an Act was passed to regulate the re-building of the City of London after the Great Fire, in which precisely similar provisions were made, in almost identical language, for giving effect to the same principle. The

Act of 1667.

actual operation of the latter statute is amusingly illustrated by an entry in Pepys' Diary under date, December 3rd, 1667. From it we learn that the owner of a particular plot of land demanded £700 for a portion of the plot which was required for a street improvement, and that the Court agreed to buy it at that price. But the owner, finding himself unable to obtain exemption from the betterment charge on the remainder of the plot, was ultimately glad to compound for exemption by the surrender of his claim for payment of the £700 for the land taken into the street. Pepys tells us that at that date most of the ground required for the new street from the Guildhall to Cheapside (the street above referred to) was already bought; which, considering that the Act was only passed in the same year, must be considered an admirable example of municipal activity and promptitude.

Extract from Pepys' Diary.

The principle over which so long and stubborn a struggle has latterly been fought is here found, not only theoretically accepted, but actually carried into effect on a large scale, in the very heart of the British metropolis. Unfortunately, the corruption of the English municipal corporations was at that period rapidly robbing them of their public usefulness, and the consequent decay of the municipal spirit which had formerly been the glory of the land resulted in, amongst many other evils, the practical abandonment of the principle of betterment in England. It was, however, not allowed to die outright. We learn from Mr. Rosewater's excellent work on "Special Assessments" that it was embodied in a province law of New York in the year 1691. He tells us that the language of the effective part of this law was copied almost literally from the English statute of 1667 to which we have just referred, and that, although little use was made of the power until the early part of the present century, the New York State government passed Acts giving particular effect to the principle in the years 1787, 1793, 1795, 1796, 1801, and 1807. From this time onward, its application became increasingly frequent and general, the other commonwealths of the Union following the example set by the State of

American experience.

New York. A series of legal decisions having set at rest the question of the validity of such local statutes, the machinery thus provided has come into regular use throughout the United States since the close of the Civil War. Charges or contributions of this character are there known as Special Assessments; and it is not without interest to observe that the idea generally prevalent in England that the name "Betterment," and the thing represented by it, are of American origin, is in both respects erroneous. The term appears to be a modern English invention, but, as we have seen, the thing was in full operation in the City of London at a period when the American Colonies were in their infancy, and the States to which they gave birth were a full century yet unborn.

Origin of name.

The recent revival of interest in the subject in England is due to the initiative and energy of the London County Council. That public-spirited body, from the date of its first creation in 1888, quickly began to display a spirit of independence and enterprise worthy of the successors of the City Fathers of the Middle Ages; a spirit which had, however, been almost wholly absent from the government of London for more than two centuries previous. As early as 1890, this Council had once more embodied the principle in the form of a Bill presented to Parliament for effecting a great public improvement in the Strand. At this time property was safely intrenched in the House of Commons, and the Bill was rejected in that House, as was a subsequent Bill in 1892. In 1893, when the Council presented its third Bill containing betterment clauses, a new House of Commons adopted it by an overwhelming majority, but the Bill was rejected in the House of Lords. But even this rigid custodian of the rights of property has since practically conceded its assent to the principle. The Select Committee referred to at the beginning of this chapter, after an ably-conducted enquiry, in which the Marquis of Salisbury took a prominent part, presented a report in which the justice of the principle, defined as above quoted, was unanimously affirmed. Certain qualifying

Recent revival in England.

Lords Select Committee.

Their report.

clauses follow, to some of which it will be necessary to revert; but it may be stated, as the broad general result, that the battle has been won, and the contest is now over. The duty of maintaining the principle before the Committee was mainly undertaken by Messrs. Moulton, Harrison, and Dickinson, members of the London County Council, and the Parliamentary legal adviser of the Council, Mr. Cripps; and it is due to those gentlemen to state that the duty was performed with conspicuous ability. The people of London are to be congratulated that they are at length able to command and to utilise the services of so many highly-qualified and public-spirited citizens in the conduct of the public business of the metropolis.

Effect of enquiry.

The enquiry by the House of Lords' Committee has been extremely valuable in clearing away the mists of apprehension and exaggeration which had previously enveloped the subject. It is now clear that betterment charges will, in this country, take the form of an appropriation,

Proposals.

by the public authority effecting an improvement, of a portion of the increase of capital-value imparted to particular properties by the improvement works. The present proposal is to take one half of the increase leaving the owner to retain the other half to cover the risk of an excessive valuation. The charge will, of course, be payable by the owner; but the payment will be either deferred or spread over a number of years, if the owner prefers one of these courses, subject to his paying interest at 3 per cent. on the out-

Objections.

standing charge. One witness suggested that gross injustice would arise in all cases of betterment charges, inasmuch as the owner would be taxed twice over, first for betterment, and secondly in the shape of rates on the increased annual value. He assumed a case in which a public improvement resulted in an increase of the rent of a particular house by £100 a year, or £2,500 of added capital-value. Taking the betterment charge at one half (£1,250), and interest on this at 3 per cent., he put the annual charge under this head at £37 10s. This seems a reasonable enough sum for the public authority to take

out of the extra £100 of rent receivable by the property-owner. But, said this witness, you will also take from him another £34 10s. in the shape of rates, leaving him to keep only £28 of the extra £100. It need hardly be pointed out here that the owner would pay no rates out of the rent, and would keep £62 10s. of the extra £100 of rent obtained for him by the action and outlay of the public authority. The suggestion was allowed by the Committee to pass unregarded.

A study of the evidence taken by the Committee makes it clear that the chief difficulty apprehended by opposing witnesses as likely to attend the application of the principle of betterment arose out of a presumed necessity for making the valuation of the bettered properties at a period too early to admit of the test of experience. The objection to betterment based on this difficulty was well put by Mr. Bridgford of Manchester. "It seeks," he said, "to put a permanent charge upon property for a problematical benefit." Reference was made by this witness and others to improvements in Deansgate, Manchester, and elsewhere, to show that great danger of grossly excessive valuations would arise if the valuations were made prior to or immediately upon the completion of the improvement work. So much may, perhaps, be conceded; and it might happen that the margin of one half would be insufficient to cover the possible errors in such premature valuations. The Committee met the difficulty by recommending that the charge should not be made until the effect of the improvement could be "adequately tested." Another objection was based upon the great trouble and cost likely to be involved in contesting the valuation of the public authority. This is a very real objection, and would have gone far to discredit the principle of betterment had no satisfactory means of meeting it been put forward by the supporters of the plan. This was, however, done. Mr. Moulton made it clear that the process of bargaining, encouraged by and carried out under the Acts of Charles II., referred to above, will be largely followed by the public authorities to whom the power of making betterment charges is likely to be entrusted. This will

Recommendations of Committee.

reduce contests to a minimum, but to ensure that these authorities shall be reasonable in their demands, the Committee recommend that they shall bear the costs of all successful objectors and one half of the costs of the arbitrator or jury in cases where the objection fails, unless the objection is declared by the deciding tribunal to be frivolous and vexatious. They also advise that the owner should be empowered to require the public authority to purchase the property if he thought fit. This seems to carry precaution to needless length, and to be calculated to defeat the object of betterment legislation by encouraging litigation and rendering the proceedings too costly to the public authority. Reasonable safeguards against reckless and insufficiently considered charges can probably be devised, which will attain their object without reducing the legislation for giving effect to the betterment principle to a dead letter.

Recoupment

Considerable difference of opinion has arisen as to whether or not the advantages sought for by means of betterment charges could be equally and more easily secured by means of an improved system of purchase and sale, on the "recoupment" plan. This plan has hitherto been found to involve the public authority in loss rather than gain, owing largely to the necessity of buying out trade interests. The Committee express the opinion that the plan has not yet had a fair trial, and advise that enlarged powers should be given for its application under more favourable conditions. There seems to be no reason for refusing to make further experiments in this direction under improved regulations, side by side with those which may be sanctioned by "betterment" legislation. The comparisons thus rendered possible would afford the legislature much valuable guidance in the future.

Worsement.

The only other point to which it is necessary to make reference here is the claim for "worsement." By this is meant compensation for pecuniary injury resulting from a public improvement, by reason of diversion of traffic or otherwise. The constitution of the Committee was a guarantee that the fullest justice would be done to the merits of this claim,

but some of the suggestions were so extreme as to invite the ridicule of even the more conservative members, and resulted in the discomfiture of those witnesses who had the hardihood to submit them. Amongst other suggested grounds for granting compensation were (1) the construction of a new road to avoid a *detour*, by which the owners and occupiers of property on the more circuitous route suffered loss of rent and custom, even though the property in question were left untouched; (2) the demolition of an overcrowded and insanitary area, by which the business of a neighbouring public-house was lessened; and (3) the diversion of heavy vehicular traffic into a residential thoroughfare, by which the slumbers of the inhabitants were disturbed at too early an hour in the morning. All these, and many other analogous things, continually happen under the existing law, without conferring a title to compensation, and the enactment of betterment legislation would create no fresh reason for legalising any such claims, except in one respect. Where the public improvement enhances the value of one part of a single property and depreciates another part of it, the diminution should clearly be set against the enhancement in considering the betterment charge leviable on the owner. The Committee would extend this process to any other property "in the immediate neighbourhood" belonging to the same owner; and provided that the limits are properly restricted as to locality, little objection can be taken to the essence of this proposal. But the Committee lend no countenance to the suggestion to compensate those upon whom no betterment is charged, nor to that by which compensation in excess of the betterment charge would be recoverable from the public authority. It is nothing less than a grotesque absurdity to suggest the creation of new vested interests in the perpetuation of such public evils as overcrowded and insanitary slums and circuitous lines of communication. The well-founded rights of property will be best conserved by the timely concession of such moderate and necessary measures as the one under notice, the justice of its principle being, moreover, so abundantly manifest and clear.

CHAPTER X.

Conclusion.

The rating system.

It has been shown in Chapter VI. that the rating system must, in spite of its limitations and defects, remain the principal resource for raising the revenues needed for local government and administration. But its reform, already much too long delayed, has now become a matter of extreme urgency.

Its defects.

The chief defects of the system are undoubtedly those pointed out by Professor Seligman in the passage quoted in Chapter VI. Whilst inflicting serious injustice upon the mass of the occupiers of dwelling-houses, they are seen to bear with double or treble severity upon the least affluent classes.

Remedies.

The adoption of the three suggested remedies, (1) division of rates between occupiers and owners; (2) taxation of ground-values; and (3) betterment; will, if their application be thorough, go far to relieve the pressure upon the struggling classes, and to make the rating system a tolerably satisfactory fiscal engine for local use. Something more can probably be done by the application of the method adopted in the cases of the Metropolitan Common Poor Fund, and the London Equalisation Fund. At present the heaviest burdens usually fall on the poorest localities. The wealthier classes of townspeople largely reside outside the limits of the towns in which they do their business and in which their wealth has been realised, and it may be worthy of consideration whether poor relief, hospitals, and, perhaps, elementary education, should be made, within limits, county charges. It should also be rendered less difficult to obtain extensions of municipal boundaries than is found to be

at present. Many cases exist in which residential portions of large towns have successfully resisted incorporation, although sharing the advantages of the corporate expenditure. Every consideration of justice and policy requires that municipal boundaries should embrace the whole area of the town and its immediate suburbs, and that means should be provided for the inclusion of new suburbs as soon as they assume a distinctly urban character. The inhabitants of the older and more heavily-taxed parts of our large towns are entitled to the not inconsiderable relief which the carrying out of this rule would effect.

Much remains to be done to make the system of valuation less cumbrous and more uniform. The lines on which reform is easily practicable are well known, and have been partially followed with success in London and in Scotland. It is a scandal that the remainder of Great Britain should still remain under a system which was condemned by general consent over a quarter of a century ago. The administration of the valuation system should be placed in the charge of the county councils and the councils of county boroughs, as in Scotland. But as it is important that the valuation lists shall govern the national, as well as the local, taxes, the surveyor of taxes should be associated with the county valuer in their preparation, as is the case in London.

Reform of valuation system.

The whole subject of local taxation and finance has assumed a degree of importance which entitles it to the careful attention of all good citizens; and the urgency which comes of long neglect now demands that this attention shall speedily result in effectual legislation. The extensive reforms of the system of local government which have been recently effected in Great Britain, and the wide-spread interest in the subject evoked thereby, encourage the hope that the local taxation system will also be shortly overhauled with courageous thoroughness, and with entire freedom from considerations of individual or sectional interest.

Conclusion.

PART II

SCOTLAND.

THE history of local finance in Scotland is exceedingly obscure. The Poor Law Commissioners, in their report of 1843, say: "With respect to Scotland, scarcely anything appears to be known of its public revenues and expenditure." Writing in 1875, Mr. M'Neel-Caird says: "The amount of local taxation in Scotland is a problem which has hitherto been unsolved. There are no published data for ascertaining it." Mr. Goschen had computed the local rates in Scotland for the year 1868 at £1,357,419, and Mr. M'Neel-Caird totalled up those for 1873-74 to £1,985,912. As late as 1880, Messrs. Goudy and Smith were unable to obtain any reliable figures of several classes of local taxation, and they describe some of the official returns which had been issued as "extremely defective," or "so defective as to be worthless." The table prepared by them in 1880 from the returns for 1877-78 and 1878-79 puts the parochial rates at £1,087,521, paid in equal shares by owners and occupiers; burgh rates, £733,550, of which the owners paid £121,775; and county rates, £148,114, almost wholly borne by the owners. They estimated the tolls and road assessments at £294,000, and the receipts from burghal property at £200,000.[1] These figures nearly agree with those of Mr. M'Neel-Caird for 1873-74, and would appear to have been too low. Since 1880 the local taxation

History of local taxation.

[1] Local Government in Scotland, pp. 97-99.

returns for Scotland have been published under official authority, and the following figures are extracted from the latest issue.[1]

Year.	Total Receipts.	Of which was Derived				Total Expenditure.
		From Rates.	From Tolls, Dues, Fees, Fines, and Rents.	From Grants in Aid.	From other Sources (excluding Loans).	
	£	£	£	£	£	£
1880-81	4,937,825	2,956,189	1,089,405	545,707	346,524	4,960,519
1885-86	5,524,390	3,375,637	1,128,653	679,577	340,523	6,000,571
1889-90	6,093,255	3,565,129	1,275,488	797,863	454,775	6,139,930

Commissioners of Supply.

Prior to 1890, the management of the county finances of Scotland was mainly in the hands of non-elective bodies called Commissioners of Supply, who acted by virtue of property qualifications, and were chiefly representative of the landed proprietors. Although originally appointed in the seventeenth century for the raising of national revenues, as their name indicates, they gradually became the chief administrators of the non-judicial county business. Amongst the duties transferred to or imposed on them were the levying of "rogue money," the control of the county police, the erection and care of court-houses, the preparation of the valuation roll (except in burghs), and a preponderating share of the management of prisons, roads, and lunatic asylums. Rogue money was first imposed in 1771 "for defraying the charges of apprehending criminals and of subsisting them in prison until prosecution, and of prosecuting such criminals for their several offences by due course of law."

Rogue money.

[1] The Scottish local taxation returns for 1890-91 are still incomplete (January 28th, 1895). Neither the abstract of the accounts of the County Councils nor the general summary for the whole of Scotland has been issued. This extraordinary and unreasonable delay is doubly unfortunate, inasmuch as 1890-91 was the first year of the existence of the County Councils, and the earlier county statistics are therefore of little present value. Tables XII., XIII., and XV. in Appendix II. relate to the period antecedent to the reforms of 1890, but they are the latest available.

Down to 1832 the tax was levied by an ancient court of freeholders, but was then transferred to the commissioners of supply. It was abolished in 1868, and a general county assessment substituted. The tax has always been levied upon the owners, in both its old and its new forms. For the purposes of road management, a system grew up towards the middle of the present century, chiefly under local Acts, of joining elected representatives of the occupiers with the commissioners of supply, in bodies known as road trustees; and for the management of prisons and lunatic asylums, a limited representation of the burgh magistrates was associated with the commissioners of supply.

Very considerable changes were made in the Scottish system of local finance by the Local Government Act of 1889, which took effect in May, 1890. The chief of these changes were the creation of county councils similar to those provided for England by the Act of 1888, and the transfer to them of the fiscal powers of the commissioners of supply, of the county road trustees, of the parochial boards under the Public Health Acts, and of the authorities of burghs having less than 7000 inhabitants in respect of police, contagious diseases and destructive insects. An instalment of a most necessary work of unification and simplification was effected at the same time by the repeal of a large number of local road Acts, and the general enforcement of the Roads and Bridges (Scotland) Act of 1878. Provision is also made in the Act of 1889 for the consolidation of county rates. The main purposes not mentioned above to which the revenues of the county councils were made applicable include County Police, Valuation, Registration of Voters, Court-Houses and County Buildings, Militia Depots and Storehouses, Lunacy (expenses of asylum buildings chiefly), Weights and Measures, and the Adulteration Acts.

Local Government Act, 1889.

As previously stated, no returns of local taxation in the counties have been issued since 1890. But it appears from a return issued independently that the total county debt, as at May 15th, 1894, was £874,418.

Burghal taxation.

As in England, the growth of urban local taxation has been very rapid in recent years. Mr. M'Neel-Caird put down the total revenues of the burghs (exclusive of loans) in 1873-74 at £653,164; the total for 1891-92, inclusive of those raised under the Roads and Bridges Act of 1878, was £2,401,691. It, must, moreover, be borne in mind that this total does not include poor rates and school rates, which are not under municipal management, and are not separately tabulated for town and country. The main heads of burghal revenue for 1891-92 were as follows:—

From property, investments, and common good	£220,317
Police rates	764,931
Public health rates	148,379
Road rates	180,844
Water rates	312,501
Other rates	244,760
Grants-in-aid	191,472
Other receipts	338,487

Burghal expenditure.

Loans to the amount of £1,140,512 were also raised during the year.

The chief items of burghal expenditure for the same year were:—

Roads under Act of 1878	£214,926
Police	255,969
Lighting, cleaning, and paving	414,918
Public works	156,629
Drainage	73,871
Hospitals	67,583
Public parks	39,336
Water supply	221,502
Nuisance removal	31,197
Salaries	87,357
Interest on loans	406,928

Loans to the amount of £764,536 were repaid during the year. The total indebtedness of the burghal authorities at the close of the year 1891-92 was £12,365,149; but as a set-off they possessed investments of sinking funds amounting to £1,095,408. The gross rental of the burghs, as shown in the valuation roll, was £12,893,985.

Burghal debt.

In urban districts the rates levied for sanitary and general municipal purposes are charged only on one-fourth of the annual value in the cases of agricultural land, railways, canals, mines, and quarries. There are various statutory limits of rating for these purposes which somewhat restrict the powers of urban authorities to undertake costly improvements.

The administration of the Poor Law Acts throughout Scotland, and of the Registration of Births, etc., Acts, and Burial Grounds Act, in rural parishes, is entrusted to parochial boards, who levy the rates required for these purposes. Prior to 1890 they also administered the Public Health Acts in rural districts and levied the necessary rate; but this department has now been transferred to the county councils.[1] Elementary education is in the charge of parish and burgh school boards created in 1872, but the school rate is raised by the parochial boards. For poor-law purposes the limits of the old civil parishes, 885 in number, are still adhered to; but there have been subdivisions for church and educational purposes. There is nothing in Scotland corresponding to the English poor-law unions and boards of guardians, the administration of the poor laws being wholly parochial.

Parochial taxation.

The poor-relief system of Scotland appears to have remained upon a voluntary basis down to 1845, and, till then, to have resembled that abandoned in England in 1601. The old system dated from the latter part of the sixteenth century. The system of general parish assessments, introduced by the Act of 1845, was followed by a rapid increase of expenditure, as the following figures will show :—[2]

Poor rates.

[1] In burghs, the Acts relating to registration of births, etc., burial grounds, and public health, are administered by the town councils.

[2] Report of Board of Supervision, 1891-92.

Year.	No. of Assessed Parishes.	Cost of Relief and Management. £	Rate per Head of Population. s.	d.
1845-46	448	292,518	2	3
1846-47	558	433,915	3	1¼
1847-48	600	533,363	3	9½
1848-49	625	562,268	3	11½
1851-52	671	514,288	3	6½
1861-62	759	680,700	4	4½
1868-69	793	821,184	4	11¼
1875-76	817	797,800	4	5¾
1881-82	823	844,782	4	5¾
1891-92	839	871,306	4	3¼

But this system is not universally in operation, there being still forty-six parishes in which the old voluntary system, modified and reformed, is permitted to continue by the Board of Supervision. There are thirteen other parishes in which poor relief assessments are levied upon an old plan which was in partial use before 1845, known as assessment by established usage.

"Means and substance."

An interesting experiment in taxation was worked out in connection with the Scottish Poor Law of 1845. The poor rate was laid in equal shares on the owners and occupiers of the rateable property in each parish; but the parochial boards were authorised to levy the occupiers' moiety in either of three ways, one of which was by an assessment of "means and substance." No precise definitions of this term were laid down, and it fell out that an English judge was assessed upon his full salary in aid of the poor rate of a parish in Scotland in which he happened to have a residence. This was simply a glaring instance of the general inconvenience and injustice of the method, which was found to be rapidly depopulating some of the parishes to which it was first applied, and was abolished in 1861.

"Classification."

Another experiment, having a similar end in view, has met with greater acceptance. This consists of the classification of occupiers for their share of the poor rate according to the nature of the occupancy. Three

categories are usually adopted: (1) private residences, (2) shops and business premises, and (3) farms. The rent or annual value is taken as a basis in each case; but the rates in the pound vary. No uniform scale is prescribed or followed, but in the majority of cases the proportions of three, two, and one, or four, two, and one, respectively, are adopted. This plan is still in operation in 174 parishes.[1] It is, of course, inapplicable to parishes consisting chiefly of holdings of one class; but for parishes of mixed character there appears to be much to be said for it, both from the point of view of abstract justice and from that of conformity with the laws of ultimate incidence. "Classification" does not apply to the owners' half-share.

Parochial finance.

The total revenue of the parochial boards in 1891-92 (exclusive of loans) was £1,535,116; and from loans, £68,458. The chief items were :—

Rates	£1,367,148
Grants-in-aid	112,948
Other receipts	55,020

The expenditure may be summarised thus :—

Under the Poor Law Acts	£935,069
Under Registration Acts	14,479
Under Burial Grounds Act	23,056
Under Valuation Act	1,068
Paid over to school boards	590,093
Repayment of loans	36,346

The loans outstanding at the end of the year amounted to £394,593. The gross rental of assessed parishes was £23,619,998; of unassessed parishes, £259,568; and of the whole of Scotland, £23,879,566.

Highway rates.

The history of highway and main-road legislation in Scotland closely resembles that of England, the same expedients of repair by the inhabitants, statute labour, turnpike tolls, rates, and government subventions having

[1] *Vide* Parliamentary Paper, No. 154 of 1886.

been in turn resorted to in each case. Turnpike tolls were abolished in 1883, and the cost is now wholly borne by the rates, except so far as these are relieved by the allocated taxes, as in England.

Ecclesiastical taxation.

An old and peculiar feature of Scottish local finance is the taxation of real property for ecclesiastical purposes. The assessments are made and the moneys expended by the "heritors of parishes." Their rates for 1891-92 produced £32,348, of which £13,199 were spent on churches and £17,582 on manses (parsonages). The rates fall wholly on the owners.

Allocated taxes.

The sum paid to the Scottish local taxation account in the year 1893-94, from the produce of the allocated taxes, was £736,740, as shown in Table XIX. of the Appendix. In 1891-92 the amount was £789,953, and the disposition of this sum is set forth in detail in Table XIV. of the Appendix.

Grants-in-aid.

In addition to the relief of local taxation thus afforded, further assistance is given by way of grants out of the Consolidated Fund and charges borne by Parliamentary votes. It is difficult to determine which of these grants and charges are wholly or partly local in character, no official list or statement being obtainable. Some figures are, however, appended in Table XVI., in which the lines adopted in the English return (see Table IX.) have been followed as far as possible.

Valuation.

Two matters in respect of which the Scottish system differs from that of England are the existence of a well-made valuation roll for local purposes, and the very large extent to which the rates are charged directly upon the owners. Prior to 1854, the county assessments were based upon valuations two hundred years old, but in that year an Act was passed requiring the county and burgh authorities, respectively, to make up a valuation roll annually, and to base their future assessments upon it.[1] A uniform basis of assessment is thus provided

[1] The values entered in these rolls are similar to those known in England as "gross estimated rental." For poor rate and school rate purposes, deductions are made which furnish a net valuation, similar to the English "rateable value." These deductions vary according to local usage.

for the whole country, which, in practice, has given very general satisfaction. In a large number of counties and burghs the services of the surveyors of taxes have been utilized in the preparation of the rolls, under an arrangement with the Board of Inland Revenue; and the valuations made by them are accepted by the Crown for the assessment of imperial taxes, as in London under the Metropolis Valuation Act. The general rules for estimating the value of property correspond closely to those theoretically in operation in England; but an exception exists in a provision that lands let on lease for periods not exceeding twenty-one years, at a yearly rent and without any other consideration, are to be assessed on the rent, regardless of any improvements effected during the currency of the lease. The Act of 1854 further provides that in the case of leases for more than twenty-one years, the lessee is deemed to be the owner, but is empowered to deduct from the rent or ground-rent so much of the rates as corresponds to the proportion which the rent or ground-rent bears to the total valuation. The duty of preparing the valuation roll in royal and Parliamentary burghs is cast on the magistrates of such burghs; elsewhere, on the county councils. The cost is borne in equal proportions by occupiers and owners.

Division of rates.

The division of certain of the rates between occupiers and owners extends, in some cases, to the making of separate assessments on the respective persons of each class, and the separate collection of the respective quotas from those persons or their agents. In other cases the rates are first paid by the occupiers, and the owners' proportion is deducted from the rent. The apportionment of rates between these classes and the amounts borne by each are set out in detail in Table XV. of the Appendix.

Under the Act of 1889, county rates for new purposes and increases in the old ones beyond the average of the previous ten years fall equally on the owners and occupiers. The older plan, of charging the owner only, conformed to the facts of the ultimate incidence so far as the rates were levied in respect of lands; but it has evidently been considered desirable to work towards an

equal division all round. The case for applying the latter method to burghal rates is, as has been shown in Part I., Chapters V. and VI., extremely strong and urgent.

It will be seen that notwithstanding the inadequate contribution from property in towns, the Scottish system already concedes much of the relief demanded, but not yet secured, by the occupiers in England. It will presently be seen that Ireland is also considerably ahead of England in respect of both uniformity of valuation and the liability of owners for a share of the local burdens.

Collection of rates.

In burghs there is a twofold collection of rates by the burgh and parish authorities, as in England; and in rural districts by the corresponding levies of the county and parish authorities. But to the latter must be added the separate levy of church rates, which are not now existent in burghs.

PART III.

IRELAND.

A REVIEW of Irish local finance is greatly facilitated by the existence of an admirable report on local government and taxation in Ireland, drawn up by Mr. W. P. O'Brien, local government inspector, in 1878; and by the reports and returns of Dr. W. Neilson Hancock, of the Irish Local Government Board. The latter also contributed an essay on these subjects to the series issued by the Cobden Club in 1875, in which much of the matter contained in his official reports was collected and lucidly presented.

Irish local finance falls naturally into four main divisions, relating respectively to counties, towns, unions, and harbours and other miscellaneous matters. The county rate is known as the "grand jury cess," and is the oldest form of Irish direct local taxation. It dates back to 1635, in which year an Act was passed by the Irish parliament authorising the justices of assize and of the peace, with the assent of the grand jury, to tax the inhabitants for the repair of bridges. In the latter half of the last century, this tax was made applicable to the repair of roads, and before the end of that century Ireland had become possessed of a network of unusually good highways. Turnpike tolls had come into use for the maintenance of main roads at an earlier date, but during the first half of the present century these were gradually superseded by rates, and in 1857 were finally abolished. Ireland thus took the lead in the British Islands in this important reform. The total amount of the grand jury cess was, in 1856, £1,018,515; in 1866, £1,055,482; in 1876, £1,130,723; and in 1893, £1,211,701. There would have been, however, a larger increase in the later years, but for the grants of aid from imperial funds in respect of lunatic asylums, prisons, and roads; and the

Grand jury cess.

decrease of the rural population must also be taken into account. The withdrawal of a number of urban areas from the fiscal control of the grand juries (see below) has also assisted in keeping down the total of the cess. Of the gross presentments of grand jury cess for 1893, £751,858, or rather more than one half, was for roads and bridges; the only other single department of county business which cost over £100,000 being lunatic asylums. The charge for police (exclusive of the Dublin Metropolitan Police) which fell upon the Irish rates in 1893 was only £27,248. The smallness of this sum is due to the fact that the Royal Irish Constabulary is a semi-military force, the very heavy normal cost of which is charged to the imperial revenues.[1] It is only the cost of extra duties, arising out of local disturbances and special circumstances, which is charged to the county authorities and raised locally.

The grand jury is a non-elective body, chiefly drawn from the landlord class; and although the expenditure of the cess is first submitted to bodies called "presentment sessions," composed of justices and cesspayers, there are such restrictions as quite to prevent all effective popular control. The authority of the grand juries formerly extended to all the towns, but the cities of Dublin, Cork, and Limerick succeeded, in 1849, 1852, and 1853, in obtaining Acts by which the non-judicial functions and powers of the grand juries were transferred to the municipal councils in those cities. The grand juries have also ceased to act as the road authorities in all the more populous of the other towns and urban areas, the care and cost of the roads in such places being undertaken by the town authorities. No particulars are published of the loan indebtedness of the county and union authorities in Ireland, and therefore no total for the whole country can be given. A peculiar and interesting feature of Irish local finance consists of the arrangements under which the construction of railways and tramways may be aided by baronial guarantee. The method is by pledging the rates of the barony (a sub-division of the county), with the consent of the baronial presentment sessions and certain higher powers.

[1] See Appendix, Table XVIII.

The older municipal bodies of the Irish cities and towns, like those of England, appear, in the last century, or earlier, to have become close corporations, with exclusive privileges of trading, and to have lost whatever powers of imposing direct taxation they may have formerly possessed. This has been remedied by Acts passed in 1828, 1840, and 1854, and by special Acts applicable to some of the larger towns. Under these, representative bodies have been created, with functions analogous to those of urban authorities in England, and with similar taxing and borrowing powers; subject, however, to certain limitations in these latter respects. The receipts of the town authorities in 1893, exclusive of loans, amounted to £938,528, of which £676,853 was raised by rates. The expenditure for the same year included £194,172 in respect of water supply, and £154,187 on paving and repair of streets. The outstanding debt of the town authorities in 1893 was £4,630,979. In 1871, the amount was £1,602,928.

Town taxation.

The city of Dublin occupies a peculiar position in respect of its police force. This is distinct from the Constabulary, but is under the direct control of the Crown. The Dublin City Council is, however, required to levy a police rate of 8d. in the £, and to hand the proceeds over to the Metropolitan Police Commissioner. The latter official also receives the proceeds of special and peculiar local taxes on carriages and on pawnbrokers' and publicans' licenses, in addition to fees, fines, and penalties from the city police courts. The total sum received from local sources in 1893-94 was £51,100, but the bulk of the charge rests upon the imperial exchequer.[1] Belfast and Londonderry formerly possessed similar local police forces, but these have been disbanded.

Dublin city police rate.

No statutory provision for the relief of the poor was made until 1771; and the law passed in that year, and extended in 1806 and 1818, was merely permissive and practically inoperative. In 1838, however, a comprehensive and obligatory poor law was passed, under which Ireland was

Poor rates.

[1] See Appendix, Table XVIII.

mapped out into unions and electoral districts, and a system of relief and administration resembling that of England was instituted. There was, indeed, the important distinction that the Irish system at first permitted of no out-relief; but this feature was introduced in 1847, and has since received an extended application. The cost of the system was estimated beforehand at £295,000, but this sum appears to have been exceeded from the outset. The outbreak of the Irish famine rapidly swelled the outlay, which, for the year ending September, 1849, amounted to no less than £2,177,649. In the following year it fell to £1,430,108, and continued to decrease until 1859, when the total was only £413,712. From this point the cost has slowly risen, and for 1893 it amounted to £857,910. The boards of guardians have been entrusted with many new duties from time to time. These have swollen the expenditure for 1893 to £1,397,032, of which sum £1,028,353 was raised by poor rates, £234,050 by Parliamentary grants, and £145,329 by loans. Amongst the items of expenditure is one of £19,865 under the National School Teachers Act, which is the only entry in the Irish local taxation returns in respect of education. The bulk of the cost of primary education in Ireland is borne by the imperial taxes.[1] Even the trifling sum contributed from the rates is now partly, if not wholly, repaid (see page 115). The poor law guardians consist partly of elected and partly of *ex officio* members, the latter being magistrates. The cost of the maintenance of paupers was, by the Act of 1838, charged to the ratepayers of the electoral divisions to which they belonged; but considerable modifications of this principle were legalised by an Act of 1876.

Harbours and piers.

The harbour and pier authorities are forty-six in number, and their receipts amounted in 1893 to the considerable sum of £445,134. The outstanding debt of these bodies in 1893, so far as it is tabulated, was £2,508,458, but only twenty-six of the number are entered in the returns. There appear to be at least five others which are in debt to the imperial treasury, inasmuch as repayments are entered in the

[1] See Appendix Table XVIII.

tables of expenditure. Some of the harbours, constructed with moneys provided from the imperial taxes for the purposes of steamboat traffic and of carrying the mails, are still under the imperial authorities, and although these are included in the tables of receipts and expenditure, they are excluded from those relating to debt. The others are controlled by special bodies of commissioners, and in no case belong to the town or county authorities.

Public works.

Considerable public works have been undertaken during the great famine and in subsequent periods of distress, largely, if not chiefly, with a view to finding employment and affording relief. The principal of these are works of arterial drainage, inland navigation, and light railways. A large share of the cost has been borne by the imperial treasury, and the balance has been lent to local bodies on the security of the rates. The funds required for maintenance are raised by rates on the benefited properties or districts, as prescribed by Acts passed in 1842, 1863, 1866, and more recent years; by treasury grants; and, in the case of inland navigations, by tolls and other receipts.

Dues, etc.

There are a number of dues, duties, fines, and fees of various kinds levied in Ireland, which are included in the returns of local taxation, but are not in all cases properly so described. Some of them are of considerable antiquity, and the arrangements under which they are exacted are bound up with private or professional vested interests. Apart from the tolls and dues levied by the harbour authorities, these miscellaneous receipts are not important (see Table XVII.) and need not be explained in detail.

Valuation.

Ireland, like Scotland, is in advance of England in the matter of a uniform valuation for rates and taxes. The official valuation, commenced in 1827 by Sir Richard Griffiths and generally known by his name, was completed by his successor, and brought into full operation by the General Tenement Valuation Act of 1852. So far as the valuation relates to lands, it was fixed by a reference to agricultural prices, and can only be altered at intervals of fourteen years and

with the consent of the grand juries. No revaluation has, in fact, been made since 1852. Buildings are subject to more frequent revaluation, and the value is ascertained in a manner more nearly corresponding to the English method.

Division of rates.

The case of Ireland also resembles that of Scotland, rather than that of England, in the matter of the division of the rates between owners and occupiers. The poor rate is equally divided, and provision was made in the Irish Land Act of 1870 for the extension of the application of the principle to all other rates in new lettings of agricultural and pastoral holdings. Owing, however, to the omission of a prohibition of contracts to the contrary effect, the operation of this provision has been greatly restricted by agreements imposing the whole burden of the rates upon the tenants. Town rates are wholly borne by the occupiers, as in England.[1] The actual payment of rates in Ireland (except in respect of holdings under £4 valuation) is by the occupier, who deducts the share for which the owner may be liable from the rent.

Collection of rates.

The collection of rates in Ireland is effected, in rural districts, under the two main heads of grand jury cess and poor rate; and in the smaller towns there is added to these the town rate. In Belfast, Cork, Limerick, and some smaller places, the town rate includes the grand jury cess, and in Dublin there is a complete consolidation of all rates in a single collection.

Allocated taxes.

The Irish share of the allocated taxes[2] is applied as follows:—

(1) £5,000 of the probate duty grant to the Royal Dublin Society annually, for the improvement of the breed of horses and cattle;

(2) Half of the balance of said grant (in 1891-92, £119,615) to guardians of unions in respect of salaries, etc., of officers;

(3) Remainder of said grant (£119,615 in 1891-92) to road authorities in respect of roads and bridges;

[1] See *ante*, p. 74.

[2] See *ante*, p. 32, *et seq.* The disposition is governed by the Probate Duties (Scotland and Ireland) Act, 1888, and the Local Taxation (Customs and Excise) Act, 1890.

(4) £78,000 per annum of the proceeds of the customs and excise duties to the commissioners of education for national schools (including certain repayments to guardians of contributory unions); and

(5) Residue of last-named duties (£37,030 in 1891-92) to the intermediate education board for certain purposes in furtherance of intermediate education.

Grants-in-aid.

The Irish local charges borne by the imperial funds have long been largely in excess (proportionately) of the corresponding English and Scottish charges borne in like manner. This arises partly from the different character and management of the police forces in Ireland, and partly from the poverty of the Irish people. It must also be borne in mind that Ireland receives no revenue for local purposes from liquor and establishment licenses (see Appendix, Table XIX.), and continues to receive grants from imperial funds for some of the purposes which in Great Britain are now charged to the license duties. No complete official statement of the Parliamentary votes and consolidated fund charges in aid of Irish local taxation is issued, but some statistics bearing on the subject will be found in Table XVIII. of the Appendix. The relief of local taxation thus afforded is in addition to that provided by the Irish share of the allocated taxes. Table XVIII. may be compared with Table IX. for England and Wales, and Table XVI. for Scotland.

Old tolls and taxes.

A relic of mediæval taxation still survives at Galway, in the shape of duties on saleable articles passing through the gates of the town. The present tariff is regulated by an Act of 1853, and consists of "ingate tolls," extending to about one hundred items, and "outgate tolls," extending to about forty items. Similar tolls are believed to exist in other Irish towns, but no details are obtainable. In the Burdens on Land Report, 1846, reference is made (page 12) to a vestry cess for coffins for the poor, a foundling tax and a tax called "minister's money." These no longer appear in the accounts of Irish local taxation, and are no doubt obsolete.

APPENDIX I.

ENGLAND AND WALES.

Table I.

Total amount of the rates raised in England and Wales for certain years from 1803 to 1892-3, the poor rate valuation in force at the commencement of the year, and the average rate in the £ for each year of the rates raised as calculated on such rateable values.

(Compiled chiefly from Mr. Fowler's Report on Local Taxation, 1893.)

Year.	Population.	Poor Rate Valuation.	Amount of Rates Raised.	Rate in the £.
				s. *d.*
1803	9,234,649	(not known)	£5,348,000	4 5¼
1813-15 (average)	10,649,743	(1815) £40,121,000	8,164,000	3 1¾
1817	11,555,054	(not known)	10,107,000	3 10¾
1826-27	13,247,277	(not known)	9,544,000	3 8
1841	15,562,000	(1840-41) 62,540,030	8,101,000	2 7
1851	17,773,324	67,700,153 (1849-50)	8,916,000	2 7½
1862	20,371,013	(not known)	12,207,000	2 8
1871-72	22,788,594	109,447,111	17,646,720	3 2·7
1874-75	23,724,834	115,646,631	19,335,703	3 4·1
1879-80	25,371,489	133,769,875	22,160,099	3 3·8
1884-85	26,921,737	145,527,944	25,666,552	3 6·3
1889-90	28,447,014	150,485,974	27,713,409	3 8·2
1890-91	28,762,287	152,116,008	27,818,642	3 7·9
1891-92	29,081,047	155,896,383	(not known)	(not known)
1892-93	29,403,346	157,722,913	(not known)	(not known)

Table II.

General View of Certain Branches of Local Taxation from 1747 to 1892-93.

(Compiled chiefly from the reports of the Poor Law Board and Local Government Board.)

Year ended March 25.	Net cost of Poor Relief.	Paid to Borough, County, and Police Rates out of Poor Rates.	Other Payments out of Poor Rates, except to Highway Rates.	Highway Rates Levied.	Church Rates Levied.
(3 years' average.)					
1747-50	£689,971				
1775-76	1,530,800				
(3 years' average.)					
1782-85	2,004,239				
1802-03	4,077,891				
1812-13	6,656,106	Not ascertained.	Not ascertained.	Not recorded prior to 1811.	Not recorded prior to 1826-27.
1817-18	7,870,801			(3 years' average, 1811-13.) [1] £1,407,200	
1826-27	6,441,088	£762,187	£644,000	1,415,000	
1836-37	4,044,741	604,203	600,191	1,121,000	[2] £564,388
1839-40	4,576,965	855,552	763,994	No record.	No record.
1850-51	4,962,704	1,392,509	634,909	1,169,891	506,812
1860-61	5,778,943	1,925,210	564,194	1,663,000 (1849)	400,000
1870-71	7,886,724	2,708,840	691,059	1,416,000 (1862)	234,000
1880-81	8,102,136	3,588,308	848,331	1,379,340	23,186
1890-91	8,643,318	6,171,171	1,807,595	1,674,848	11,996
1892-93	[3] 9,217,514	[3] 6,739,977	[3] 2,626,602	1,322,091	5,723
				(not known)	(not known)

[1] Inclusive of estimated value of statute labour, £535,000. (See note 2. p. 7.)

[2] Including rents of estates. See Lord Monteagle's Draft Report on Burdens on Land, 1846, p. 26, in which the gross amounts for 1831 and 1838-39 are given as £446,247 and £263,103, respectively. The figures in this column for 1839, 1850, and 1860 are taken from Mr. Goschen's Report on Local Taxation, 1870, p. 71.

[3] See Table III. The highway rates in the above table are, in the later years, exclusive of urban areas, for which no separate highway rates are levied. For total highway and street expenditure see Table VII.

TABLE III.

Analysis of Expenditure out of Poor Rates and Receipts in Aid thereof, 1892-93.

(From Local Taxation Returns, 1892-93.)

RELIEF OF THE POOR—		
In-maintenance	£2,105,760	
Out-relief	2,370,613	
Maintenance of pauper lunatics	1,393,076	
Loans repaid, and interest thereon	640,280	
Salaries, pensions, and rations of officers	1,566,506	
Other expenses	1,141,279	
Total, as per column 2, Table II.		[1]£9,217,514
Payments for county, borough, or police rates, as per column 3, Table II.		6,739,977
Payments for highway purposes, being part of sum shown in column 5, Table II.		827,804
OTHER PAYMENTS—		
To burial boards	£117,789	
,, rural sanitary authorities for sanitary purposes	176,658	
,, school boards and school attendance committees	1,023,030	
,, commissioners of baths and wash-houses	45,882	
,, free library commissioners	48,957	
,, conservators of commons	179	
Cost of legal proceedings	40,163	
Valuation and assessment expenses	104,448	
Salaries and pensions of parochial officers, and other expenses	651,748	
Registration (births, deaths, etc.)	98,419	
Registration (voters) and jury lists	197,974	
Vaccination	83,709	
School fees of non-pauper children	1,557	
Other expenses	36,089	
Total, as per column 4, Table II.		2,626,602
Total expenditure		£19,411,897

[1] Equal to 6s. 3¼d. per head on the estimated population. Of this, 4s. 7d. per head was borne by rates, the balance being met by receipts-in-aid, chiefly from allocated taxes. (See Tables IX. and XIX.)

TABLE IV.

Being a copy of House of Commons Return, No. 430, year 1870, showing the direct local taxation levied in England and Wales in the year ended March 25, 1868.

1. Amount levied for poor relief		£7,825,592
2. County, hundred, borough, and police rates:		
(*a*) Contributed from poor rate	£2,462,922	
(*b*) Levied separately	493,285	
		2,956,207
3. Highway rate:		
(*a*) Contributed from poor rate	£621,436	
(*b*) Levied separately	916,779	
		1,538,215
4. Church rates		217,482
5. Lighting and watching rates (exc. Metropolis)		79,393
6. Improvement commissioners (exc. Metropolis)		410,105
7. General district rates (exc. Metropolis)		1,683,702
8. General and lighting rates in the Metropolis		981,140
9. Rates under courts or commissioners of sewers (including drainage and embankment rates)		714,734
10. Rates of other kinds:		
(*a*) Contributed from poor rate	£152,076	
(*b*) Levied separately	224,574	
		376,650
Total		£16,783,220

Table V.

Classified Receipts of Local Authorities (exclusive of Loans) in England and Wales.

(From Local Taxation Returns, 1890-91.)

	1888-89.	1889-90.	1890-91.
Public rates	£27,420,223	£27,713,409	£27,818,642
Treasury subventions and payments	4,790,860	[1] 2,194,838	[1] 1,696,340
From Local Government Board out of the local taxation account	—	4,327,441	5,484,670
Tolls, dues, and duties [2]	3,718,381	3,642,423	3,473,876
Receipts from real and funded property (excluding sales)	1,400,148	1,379,823	1,438,113
Sales of property	578,746	513,001	303,104
Fees, fines, penalties, and licenses [3]	1,170,984	1,173,348	1,250,464
Revenue from water works	2,400,407	2,515,217	2,608,928
Revenue from gas works	3,677,929	3,867,416	4,227,021
Revenue from markets, cemeteries, and burial grounds, sewage farms and works, baths, wash-houses, and open bathing-places, libraries and museums, fire brigades, lunatic asylums, hospitals, tramways, slaughter-houses, and harbours, piers or docks [4]	858,838	950,500	1,001,384
Repayments in respect of private improvement works	737,414	773,438	789,694
Other receipts	1,221,775	1,187,008	1,345,189
Totals	£47,975,705	£50,237,862	£51,437,425

[1] Including grants in aid of the cost of elementary and industrial schools, and the London fire brigade; and other payments out of Imperial funds for police, the conveyance and maintenance of prisoners, etc.; also including in the year 1889-90 balances of grants discontinued under the provisions of the Local Government Act, 1888, and of the temporary grants provided for by that act.

[2] Including market rents and stallages, and harbour tolls, dues, and duties.

[3] Including £589,404 in 1886-87, £616,933 in 1887-88, £648,502 in 1888-89, £659,669 in 1889-90, and £684,427 in 1890-91 from school fees, and sale of books, etc., to children.

[4] Excluding receipts entered under the heads of rates, tolls, dues, etc.

Table VI.

Receipts and Expenditure, 1890-91, in England and Wales.

(Condensed from Mr. Fowler's Report on Local Taxation, 1893.)

Local Authorities.	Receipts other than from Loans.	Receipts including Loans.	Expenditure not Defrayed out of Loans.	Expenditure, including that out of Loans.
Poor law authorities	£7,975,102	£8,340,233	£9,893,941	£10,233,044
Burial boards	449,256	538,519	428,840	513,844
London county council, Metropolitan vestries and district boards, commissioners of police of the Metropolis, corporation of London, and commissioners of sewers of the City of London	7,592,797	7,961,676	6,309,108	7,292,322
Visiting committees of pauper lunatic asylums	86,996	86,996	288,857	288,857
Churchwardens (church rate)	5,724	5,724	5,606	5,600
School boards	5,140,144	5,980,728	5,195,553	6,003,672
Municipal corporations, borough and other urban and port sanitary authorities and joint boards (exc. Metropolis)	19,697,897	23,503,597	19,358,279	23,656,212
Highway authorities	1,353,276	1,355,476	1,326,196	1,329,801
Harbour, pier, and dock authorities	2,768,664	3,109,327	2,659,321	3,000,867
County authorities (exc. Metropolis)	5,146,821	5,256,281	3,907,547	4,054,666
Commissioners of sewers and drainage, embankment and conservancy boards	547,517	593,657	544,520	554,399
Salmon fishery conservancy boards and sea fishery committees	13,264	13,204	13,850	13,850
Turnpike trustees, and county road boards, South Wales	3,052	3,052	4,138	4,138
Rural sanitary authorities	491,526	656,095	510,661	680,426
Miscellaneous	165,389	254,789	156,261	225,373
Totals	£51,437,425	£57,659,414	£50,662,678	£57,857,077

Table VII.

Classification of Expenditure not Defrayed out of Loans.

(From Local Taxation Returns, 1890-91.)

Relief of the poor (including salaries, but excluding maintenance of pauper lunatics)	£6,737,901
Pauper lunatics and lunatic asylums	1,632,780
Police	4,145,575
Prosecutions, and conveyance and maintenance of prisoners	208,006
Education (including expenses of school boards, school attendance committees, reformatories, and industrial schools)	4,305,286
Highways, street improvements, and turnpike roads	6,162,189
Gas works	3,263,974
Public lighting	973,212
Water works	969,277
Sewerage and sewage disposal works	1,067,364
Markets and fairs	282,724
Cemeteries and burial grounds	268,870
Fire brigades	229,997
Public buildings, offices, etc. (not included under other headings)	213,666
Parks, pleasure grounds, commons, and open spaces	272,911
Public libraries and museums	220,479
Baths, wash-houses, and open bathing-places	155,530
Bridges and ferries	199,278
Artisans' and labourers' dwellings improvements	18,158
Contagious diseases (animals) Acts	125,491
Hospitals	187,677
Harbours, piers, docks, and quays	1,429,249
Slaughter houses	14,844
Land drainage, embankment, and river conservancy	252,818
Tramways	38,570
Other public works and purposes	2,607,453
Private improvement works	580,960
Payments in respect of principal and interest of loans (including payments to sinking funds) [1]	11,393,715
Salaries and superannuation allowances [2]	1,627,849
Establishment charges [2]	484,994
Legal and Parliamentary expenses [2]	195,658
Other expenditure	396,223
Total	£50,662,678

[1] Under this heading are included the payments on account of the principal and interest of the loans raised for all the specific purposes mentioned in the table.

[2] Only a portion of the salaries of the officers, establishment charges, and legal and Parliamentary expenses of the local authorities is included under these headings. In many cases the expenditure of the local authority for these purposes in connection with some particular undertaking or purpose is included in the expenditure on that undertaking or purpose.

Table VIII.

Receipts from Public Rates in England and Wales.

(Condensed from Mr. Fowler's Report on Local Taxation, 1893.)

Local Authorities.	Receipts from Rates.	
	1880-81.	1891.
Poor law authorities	£7,969,845	£7,474,099
Burial boards	130,229	178,030
Metropolitan board of works	620,957	—
County authorities in the Metropolis	157,284	—
London county council	—	1,718,951
Metropolitan vestries and district boards	1,578,666	1,808,777
Commissioners of police in the Metropolis	555,844	790,826
Corporation of London	81,653	95,498
City commissioners of sewers	173,780	324,258
Churchwardens (church rate)	11,999	5,723
School boards	1,562,385	2,967,421
Highway authorities	1,674,848	1,322,091
Municipal corporations	1,349,128	1,311,824
Borough sanitary authorities,	2,917,338	4,913,037
Other urban sanitary authorities,	2,013,467	2,371,243
Joint boards	1,790	1,710
County authorities (exc. Metropolis)	1,587,953	1,677,791
Commissioners of sewers	57,817	47,559
Drainage, embankment, and conservancy boards	202,380	244,894
Rural sanitary authorities	220,651	411,971
Miscellaneous	39,779	152,939
Totals	£22,907,790	£27,818,642

Summary.

Purely urban	£12,225,000	£17,513,000
Partly urban and partly rural	8,748,000	8,196,000
Purely rural	1,933,000	2,108,000

TABLE IX.

Showing the Amounts Voted in Relief of Local Taxation from National Revenues.

(Compiled from Mr. Fowler's Report on Local Taxation, 1893.)

Parliamentary Grants in Aid of Local Rates.

Grant in aid of	When First Voted.	1887-88.	1891-92.
Teachers in poor law schools	1846	£36,825	—
Poor law medical officers	1846	149,506	—
Police, counties, and boroughs	1856	864,083	—
Metropolitan police	1833	575,141	£4,300
Criminal prosecutions	1835	133,732	—
Metropolitan fire brigade	1865-66	10,000	10,000
Berwick bridge	1831	90	90
Industrial schools (local authorities)	1876	32,212	38,800
Elementary education (school boards)—			
Fee grant	1891	--	329,285
Annual grants for day and evening scholars	1870	1,255,938	1,508,427
School boards in poor districts	1870	7,167	8,395
Medical officers of health and inspectors of nuisances	1873 74	73,910	—
Pauper lunatics	1874	485,169	—
Registration of births and deaths	1875	9,500	—
Disturnpiked and main roads	1882	498,797	—
Totals (carried forward)	–	£4,132,070	£1,899,297

Other Local Charges transferred to, or borne by, Annual Votes of Parliament.

Charge in Respect of	When First Voted.	1887-88.	1891-92.
District auditors	1846	£15,246	£14,069
Clerks of assize	1852	19,602	17,975
Compensation to clerks of the peace, etc.	1855	11,806	198
Central criminal court	1846	5,181	—
Middlesex sessions	1859-60	819	1,454
Public vaccinators	1867	16,468	—
Elementary education (voluntary schools)			
Fee grant	1891	—	493,155
Annual grants for day and evening scholars	1854	1,927,285	2,089.473
Reformatory schools	1854-55	66,920	62,365
Industrial schools (other than those of local authorities)	1856-57	103,667	109,026
Rates on government property	1859	182,459	192,344
County and borough prisons, and removal of convicts	1835 and 1846	398,683	398,047
Pleuro-pneumonia.	1890	—	140,000
Totals	—	£2,738,136	£3,518,106
Total parliamentary subventions (including part 1 above).	—	£6,870,206	£5,417,403
Probate duty and licenses	—	—	5,313,278
Customs and excise duties	—	—	1,115,801
Total relief of local taxation from national revenues	—	£6,870,206	£11,846,482

[1] Including payments to Irish officers.

Table X.

Local Debt.

(From Mr. Fowler's Report on Local Taxation, 1893.)

Amounts and Purposes of Outstanding Loans of Local Authorities in 1884-85 and 1890-91.

	1884-85.	1890-91.
Poor law purposes[1]	£6,361,180	£7,056,166
Lunatic asylums	3,326,396	3,686,662
Police stations, gaols, and lock-up houses	720,737	1,122,548
Schools (including reformatories and industrial schools)	14,876,928	18,616,269
Highways, street improvements, and turnpike roads	26,945,772	28,275,890
Electric lighting and supply	—	56,942
Waterworks	30,326,906	38,325,912
Gasworks	13,768,690	14,991,197
Sewerage and sewage disposal works	16,569,353	19,969,077
Markets	5,004,400	5,380,982
Cemeteries and burial grounds	2,368,638	2,492,185
Fire brigades	308,508	489,741
Public buildings, offices, etc., (not included under other headings)	3,751,055	4,315,707
Parks, pleasure grounds, commons, and open spaces	2,441,108	3,992,137
Public libraries, museums, and schools of science and art	374,887	489,693
Baths, wash-houses, and open bathing-places	561,649	950,308
Bridges and ferries	3,112,592	4,053,596
Artisans' and labourers' dwellings improvements	3,532,383	3,814,035
Cattle Diseases Prevention Act, 1866	139,367	76,239
Hospitals	336,184	669,234
Harbours, piers, docks, and quays	28,537,809	31,466,462
Land drainage and embankment, river conservancy and sea defences	2,158,452	3,147,417
Tramways	1,167,605	1,317,555
Private improvement works	890,019	940,969
Loans charged on church rates	18,645	6,100
Allotments	—	14,164
Public lighting	28,576	46,095
Slaughter-houses	60,325	121,631
Other purposes	5,519,804	5,330,545
Totals	£173,207,968	£201,215,458

[1] Including the asylums for imbeciles provided by the managers of the Metropolitan asylums district, loans for which are excluded from the amounts entered under the heading of "lunatic asylums."

Table XI.

Comparison of the Valuation of the Properties Assessed for Crown Purposes with that of the same Properties Assessed for Local Purposes.[1]

(From Report of Local Government Board, 1891-92.)

Year.	The Metropolis.		The Rest of England.	
	(1) Gross Value in Income Tax Assessment under Schedule A.	(2) Valuation under Valuation (Metropolis) Act.	(3) Gross Value in Income Tax Assessment under Schedule A.	(4) Valuation by Assessment Committees.
1874-75	£24,192,112	£24,145,246 19,884,462	£107,689,995	£97,812,540 84,049,290
1879-80	28,444,287	28,423,199 23,353,813	123,107,104	111,355,633 95,390,307
1884-85	32,895,336	32,895,317 27,128,614	127,047,097	118,025,110 100,982,696
1889-90	35,122,308	35,122,308 28,940,869	128,210,887	120,499,028 102,004,910
1890-91	35,533,116	35,533,116 29,268,945	129,175,384	122,157,606 103,377,558

Note.—In columns (2) and (4) the first of the bracketed figures against each year represent the "Gross Estimated Rental," and the second the "Rateable Value."

These figures show that the valuation of property in respect of income tax under Schedule A is now the same as the gross estimated rental shown by the poor rate valuation in the Metropolis, but that, as regards the rest of England, the crown valuation is still largely in excess of the poor rate valuation. In 1890-91 the gross value in the income tax assessment for England and Wales, excluding the Metropolis, exceeded the gross estimated rental for the purposes of the poor rate by 5·7 per cent., whilst in the Metropolis the assessment and the rental were precisely the same in amount.

[1] In 1889-90 the gross estimated rental of property in England and Wales rated, but not assessed under Schedule A, was £27,301,566. The rateable value of this property was £21,931,257.

APPENDIX II.

SCOTLAND.

TABLE XII.

Showing the Amounts Received and Expended by the Various Local Authorities in Scotland, during the Year 1889-90.

(From Local Taxation Returns. [1])

LOCAL AUTHORITIES.	RECEIPTS.						EXPENDITURES.	
	Rates.[2]	Tolls, Dues, Duties, Fees, Fines, and Rents.	Grants-in-Aid.	All other Sources (excluding Loans).	Total Receipt.	Borrowed during the Year.	Total Expenditure (excluding Repayment of Instalments of Loans).	Instalments of Loans Repaid during the Year (exclusive of Interest).
Parochial boards	£1,391,666[3]	—	£166,995	£67,223	£1,625,884	£30,154	£1,035,932	£57,638
School boards	—	£272,225	423,655	70,766	766,646	162,385	1,355,009	92,876
Burgh authorities	1,430,559	255,733	98,585	202,048	1,986,925	829,200	1,901,270	648,971
Commissioners of supply	201,739	4,421	74,105	22,935	303,200	12,958	336,921	21,060
Roads and bridges trusts:								
Counties	262,058	511	23,306	32,526	318,401	7,294	329,935	19,433
Burghs	160,881	29	3,940	12,467	177,317	69,343	239,241	12,199
County road trusts—	69,602	19	7,277	1,019	77,917	672	88,947	4,039
Heritors for ecclesiastical purposes	37,884	—	—	4,269	42,153	4,972	43,606	3,927
Harbour authorities	—	742,331	—	40,740	783,071	240,536	797,512	232,606
District fishery boards	10,740	219	—	782	11,741	—	11,557	141
Totals	£3,565,129	£1,275,488	£797,863	£454,775	£6,093,255	£1,357,514	£6,139,930	£1,092,890

[1] See *ante*, p. 100, note 1. [2] For apportionment of rates between owners and occupiers, see Table XV. [3] Including school rate of £562,969.

Table XIII.

Loans on Security of Rates, Dues, or Property, 1889-90.

Scotland.

Local Authorities.	Outstanding at beginning of Year.	Borrowed during Year.	Repaid during Year.	Outstanding at close of Year.	Increase + or Decrease — of Debt.
Parochial boards	£852,094	£30,154	£57,638	£824,610	— £27,484
School boards	3,125,216	162,385	92,876	3,194,725	+ 69,509
Burgh authorities	11,237,648	829,200	648,971	11,417,877	+ 180,229
Commissioners of supply	109,899	12,958	21,060	101,797	— 8,102
District fishery boards	141	—	141	—	— 141
Roads and bridges trusts—					
Counties	280,037	7,294	19,433	276,898	— 12,139
Burghs	336,121	69,343	12,199	393,265	+ 57,144
County road trusts	25,043	672	4,039	21,676	— 3,367
Heritors for ecclesiastical purposes	12,185	4,972	3,927	13,230	+ 1,045
Harbour authorities	9,128,715	240,536	232,606	9,136,645	+ 7,930
Totals	£25,116,099	£1,357,514	£1,092,890	£25,380,723	+ £264,624

Table XIV.

Allocated Taxes.

(From Parliamentary Paper C. 7516, 1894.)

Summary of the Total Payments into and out of the Local Taxation (Scotland) Account for the Financial Year, ended 31st March, 1892.

Particulars of Receipts and Payments.	Payments into the Account.	Payments out of the Account.	Unspent from Grant.
I. Customs and Excise Duties.			
Receipts.			
Commissioners of Customs	£23,553 0 0	—	—
Ditto Inland Revenue	129,870 9 6	—	—
Payments.			
Technical Education	—	£35,157 14 11	—
Police Superannuation	—	40,000 0 0	—
Relief of School Fees	—	40,000 0 0	—
Medical Officers and Sanitary Inspectors	—	15,010 2 0	£7 12 1
Relief of Local Rates	—	23,265 14 7	—
	153,423 9 6	153,433 11 6	—
Amount unspent transferred to corresponding Grant for 1892-93	—	—	7 12 1
II. Local Taxation Licenses and Probate Duty.			
Receipts.			
Local Taxation Licenses	327,299 1 4	—	—
Probate Duty	309,230 10 6	—	—
Payments.			
Highlands and Islands Grant (chiefly applied in relief of Road Rates)	—	10,000 0 0	—
Contribution to Cost of Roads	—	35,000 0 0	—
Ditto to Pay and Clothing of Police	—	155,000 0 0	—
Ditto to Parochial Boards (Medical Relief)	—	20,023 3 5	9 14 9
Ditto ditto (Pauper Lunatics)	—	90,450 5 4	160 15 11
Relief of School Fees	—	366,587 18 0	—
	636,529 11 10	677,061 6 9	—
Amount unspent transferred to corresponding Grants for 1892-93	—	—	170 10 8
Customs and Excise Duties, as above	153,423 9 6	153,433 11 6	7 12 1
Local Taxation Licenses, etc., do.	636,529 11 10	677,061 6 9	170 10 8
	789,953 1 4		
Ditto Balances transferred from Grants for preceding year (Customs and Excise Duties, and Local Taxation Licenses, etc.)	40,719 19 8	—	—
Grand Total	£830,673 1 0	£830,494 18 3	£178 2 9

Table XV.

Apportionment of Scottish Rates between Owners and Occupiers in 1889-90.

(From Local Taxation Returns.)

Local Authorities.	Total Amount of Assessment. [1]	In respect of Ownership.	In respect of Occupancy.
Parochial boards (including school rate)	£1,391,666	£695,833	£695,833
Burgh authorities	1,430,559	218,150	1,212,409
Commissioners of supply	201,739	184,602	17,137
Roads and bridges trust—			
Counties	262,058	144,908	117,150
Burghs	160,881	90,932	69,949
County road trusts	69,602	34,801	34,801
Heritors for ecclesiastical purposes	37,884	37,884	—
District fishery boards	10,740	10,740	—
Totals	£3,565,129	£1,417,850	£2,147,279

[1] See "Rates," Table XII.

Table XVI.

Scottish Charges borne by the Consolidated Fund and Parliamentary Votes, in addition to those shown in Table XIV.

(Extracted from Financial Relations Returns, Nos. 93 and 334, of 1893.)

	1889-90.	1890-91.	1891-92.	1892-93.
Clergy and schools	£17,939	£17,939	£17,939	£17,939
Court-house and legal buildings	9,710	8,547	8,800	8,350
Peterhead harbour	29,922	29,914	29,914	29,651
Caledonian canal	5,000	5,000	5,000	5,000
Rates on government property	10,082	9,288	12,135	10,350
Reformatory and industrial schools	70,084	595	71,087	62,800
Prisons	100,281	99,836	92,446	92,518
Law charges and courts of law [1]	119,279	119,883	119,598	92,684
Public education	562,284	611,152	636,638	948,854
Pleuro-pneumonia	—	16,800	16,800	6,000
Relief of local taxation	—	—	110,000	—
Public works, etc. (Highlands and Islands)	—	—	20,000	25,355
Police	155,076	Defrayed out of allocated taxes in 1890-91 and after. [2]		
Pauper lunatics	91,322			

[1] This item is probably only to a very limited extent a relief of local taxation, if at all.
[2] Grants of £35,000 for main roads, and £20,000 for medical relief, were made in 1888-89. These are now also defrayed out of the allocated taxes. See Table XIV.

Memorandum.—In a communication received from the Treasury, the total amount of Scottish local charges borne by imperial funds in 1891-92 is set down at £315,022, exclusive of education. No details are given.

APPENDIX III.

IRELAND.

TABLE XVII.

Local Taxation in Ireland, 1893.

(From Local Taxation Returns, 1893.)

CLASSIFIED SUMMARY OF LOCAL TAXATION, EXCLUSIVE OF RECEIPTS FROM LOANS, AND FROM THE IMPERIAL TAXES.	Rates on real property.	Tolls, Fees, Stamps, and Dues.	Other Receipts.	Total amount of Local Taxation.
1. Grand jury cess presented by grand juries (net amount)	£1,211,701	—	£13,081	£1,224,782
2. Fees of clerks of the peace (exclusive of receipts from grand jury cess)	—	£3,281	—	3,281
3. Fees of clerks of the crown	—	443	—	443
4. Petty sessions stamps and crown fines	—	51,871	5,851	57,722
5. Dogs license duty	—	39,974	350	40,324
6. Dublin Metropolitan Police taxes	35,197	10,638	3,836	49,671
7. Court leet presentments	—	—	—	—
8. Harbour taxation (exclusive of receipts from grand jury cess, and from sale of investments)	—	294,173	58,105	352,278
9. Inland navigation taxation (exclusive of receipts from grand jury cess)	—	2,173	3,383	5,556
10. Town taxation (exclusive of receipts from dogs license duty, fines, grants for specific purposes, grand jury cess, etc., as above	676,853	49,923	143,291	870,067
11. Burial board receipts other than from rates (exclusive of sums received by urban burial boards)	—	1,635	143	1,828
12. Poor rate and other receipts of boards of guardians (exclusive of repayment of relief, the burial board receipts which are included in No. 11, and payments from the general cattle diseases fund, etc.)	1,028,353	—	43,770	1,072,123
13. Light dues, and fees under Merchant Shipping Act	—	19,874	—	19,874
Totals	£2,952,104	£474,035	£271,810	£3,697,949

Table XVIII.

Civil Government Charges, of a more or less Local Character, borne by the Consolidated Fund and Parliamentary Votes, in addition to those falling on the Allocated Taxes.

(Extracted from Financial Relations Returns, Nos. 93 and 334 of 1893.)

Ireland.

Nature of Charge.	1889-90.	1890-91.	1891-92.	1892-93.
Exchequer contribution to Ireland	—	—	£40,000	£40,000
Rates on government property	£31,253	£30,661	31,708	30,235
Public works and buildings	180,814	328,138	141,692	183,756
Railways	—	1,152	418,529	65,502
Law charges and criminal prosecutions	73,193	70,863	77,913	61,592
Dublin Metropolitan Police	143,741	89,673	92,640	93,675
Royal Irish Constabulary	1,412,680	1,574,530	1,373,740	1,345,303
Prisons	120,483	120,940	128,562	118,111
Reformatory and industrial schools	107,825	109,751	112,565	107,398
Dundrum Criminal Lunatic Asylum	6,864	6,975	6,951	5,743
Public education	866,320	868,496	834,719	994,517
Pauper lunatics	108,671	112,211	113,042	115,754
Hospitals and charities	18,552	18,582	18,349	18,195
Teachers' pension fund	—	—	90,000	—
Pleuro-pneumonia	—	20,000	20,000	40,000
Relief of distress	—	51,309	180,964	—
Labourers' cottages	—	40,000	—	—

Memorandum.—In a communication received from the Treasury, the total of the Irish local charges borne by imperial funds in 1891-92 is set down at £2,04[illegible],359, exclusive of education. No details are given.

APPENDIX IV.

GREAT BRITAIN AND IRELAND.

TABLE XIX.

Allocated Taxes.

(From Finance Accounts of the United Kingdom, 1893-94.)

Net Receipts and Payments to the Local Taxation Accounts, in the Year ended 31st March, 1894.

	Net Receipts.	Payments to Local Taxation Accounts.			Total Payments.
		England.	Scotland.	Ireland.	
1. Local Taxation (Customs and Excise) Duties :—					
1. Customs—					
Additional Beer Duty (3d. per barrel)	£480 12 11	£384 6 5	£53 13 2	£42 16 2	£480 15 9
Additional Spirit Duty (6d. per gal.)	199,314 8 1	157,126 1 0	21,604 5 8	17,677 2 10	196,407 9 6
2. Excise—					
Additional Beer Duty (3d. per barrel)	397,372 16 6	316,863 1 11	43,293 13 6	34,522 2 0	394,678 17 5
Additional Spirit Duty (6d. per gal.)	761,292 17 10	602,881 14 6	78,271 4 9	59,949 3 11	741,102 3 2
2. Establishment, Liquor, and other Licenses (including Penalties)	3,496,942 6 2	3,140,518 6 7	331,734 10 8	—	3,472,252 17 3
3. Moiety of Probate Duty . . .	2,363,059 4 6	1,888,423 12 0	261,783 4 11	208,822 13 1	2,359,029 10 0
	£7,218,462 6 0	£6,106,197 2 5	£736,740 12 8	£321,013 18 0	£7,163,951 13 1

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